

WMC Condo & PUD Guidelines for Conventional Loans

Fannie Mae Project Classification and Warranty Codes

Eligible Condominium Types ♦
Q – Limited Review (Established project or Established 2-4 unit project)
S – Expedited Review (Established project or Established 2-4 unit project)
T – Fannie Mae PERS , Unexpired 1028, or Special Approval Designation for FL condos
Eligible PUD Types ♦
E – Established project
T – Fannie Mae Unexpired 1028

Freddie Mac Project Classification and Warranty Codes

Eligible Condominium & PUD Types ♦
Streamlined Review (Established project or Established 2-4 unit project)
Established Projects – (Full Review)
2-4 units (Established)
Reciprocal Review (Approved through Fannie Mae PERS or CPM)
Established PUD.

- ♦ **The underwriter must indicate the applicable warranty code on the 1008 Fannie Mae project designations are acceptable to WMC for Freddie Mac loans.**

WMC General Eligibility Requirements

- WMC reserves the right to limit its overall concentration in any specific project.
- Individual sellers may sell no more than the greater of five units or **20%** of the total units in a specific project to the Investor in a 12 month period.

Ineligible Condo Project Types

- Projects in which individual units are operated as a commercial hotel or motel.
- Projects with any of the following hotel/resort characteristics are ineligible:
 - Projects that include registration services and offer rentals of units on a daily basis;
 - Projects with room service, maid service, central key systems, and other hotel-type characteristics.
 - Projects with names that include the words “hotel” or “motel”;
 - Projects that restrict the owner’s ability to occupy the unit;
 - Projects with mandatory rental pooling agreements that require the unit owners to either rent their units or to give a management firm control over the occupancy of the units. These formal agreements between the developer, HOA, and/or the

- individual unit owners, obligate the unit owner to rent the property on a seasonal, monthly, weekly, or daily basis. In many cases, the agreements include blackout dates, continuous occupancy limitations, and other such use restrictions; In return, the unit owner receives a share of the revenue generated from the rental of the unit.
- Projects with non-incident business operations owned or operated by the owners' association such as, but not limited to, a restaurant, spa, health club, etc.
 - Projects that have documents on file with the Securities and Exchange Commission, or projects where unit ownership is characterized or promoted as an investment opportunity.
 - Projects where the homeowners will not have undivided fee simple ownership in the land upon which the project is located, once the HOA is turned over.
 - Projects where the unit owners will not have the sole ownership in, and rights to the use of, the project's facilities, common elements, and limited common elements once control is turned over to the unit owners.
 - Common interest apartments or community apartment projects - any project or building that is owned by several owners as tenants-in-common or by a HOA in which individuals have an undivided interest in a residential apartment building and land, and have the right of exclusive occupancy of a specific apartment in the building.
 - Timeshare or segmented ownership projects.
 - Houseboat projects.
 - Multi-dwelling unit condominiums – projects that permit an owner to hold title (or stock ownership and the accompanying occupancy rights) to more than one dwelling unit, with ownership of all of his or her owned units (or shares) evidenced by a single deed and financed by a single mortgage (or share loan).
 - Projects that represent a legal, but non-conforming, use of the land, if zoning regulations prohibit rebuilding the improvements to current density in the event of their partial or full destruction.
 - Projects where the owner's association is named as a party to current litigation or, for any project that has not been turned over to association, for which the project sponsor or developer is named as a party to current litigation that relates to the project. Projects where the HOA is named as the plaintiff in a foreclosure action, or as a plaintiff in an action for past due HOA dues, are not considered ineligible.
 - Projects where commercial space comprises more than 20% of the total square footage of the project.
 - Projects where more than 20% of HOA income is derived from commercial sources.
 - Projects where a single entity – the same individual, investor group, partnership, or corporation (other than the developer during the initial marketing period) – owns more than 10% of the total units in the project.
 - Projects with fractured interest, which is any project comprised of unit owners who own their own units and renters who rent or lease units from developer or third party.
 - Projects in which the property seller offers sales/financing structures in excess of the maximum allowable contributions for individual loans. Examples include rent-backs or leasebacks, payments of PITI or HOA assessments for any period of time, and undisclosed builder/developer contributions.

- Projects structured as Continuing Care Retirement Communities (CCRC's) where residents contract in advance for a lifetime commitment from the facility to care for them, regardless of the future health or housing needs. (not to be confused with age-restricted 55+ communities.)
- Projects that do not have all applicable insurance coverage.
- Projects which are part of a Master Association, where the Master Association does not comply with the requirements for the Master Association project type.
- Condo units under 600 sq ft by exception only. (Must be typical to the area.)
- New or recently-converted projects in Florida, unless approved by Fannie Mae (unexpired 1028, PERS, or Special Project Designation only, no CPM approvals)

Fannie Mae Review Types

Fannie Mae Limited Review (Q):

To be eligible under the Limited Project Review process, a project must meet all of the following eligibility criteria:

- The project is not an Ineligible Project Type and meets all WMC General Eligibility Requirements as defined above.
- 90% or more of the total units in the project have been sold and conveyed to unit purchasers other than the developer or a successor to the developer, and the project is not subject to additional phasing or annexation.
- 2-4 Unit Projects must be 100% sold and closed, and the subject unit loan must be a re-sale or refinance.
- HOA control turned over to unit owners.
- The units, common areas, and facilities within the subject legal phase have been completed per the appraisal, and the developer retains no ownership control over the common elements or amenities.
- The unit must be an owner-occupied primary residence or second home.
- The maximum LTV/CLTV is dependent upon DU findings. (see following chart.)
- The unit securing the mortgage is not a manufactured home.
- Not available for new or newly-converted projects in Florida.
- Project is covered by required insurance.
- Legal document review is not required.
- Investor Owned Unit Limitation: No limitation, however projects not majority owner-occupied should demonstrate professional management and/or consideration should be given to budgeting and the percentage of owners late with HOA dues and assessments.
- All but one unit in a 2-4 unit project has been conveyed to purchasers who occupy their unit as a primary residence or second home.
- If WMC has targeted the project with specific marketing efforts or is named as the preferred lender by either the developer or the HOA, the project is ineligible for Limited Review and another project review process must be utilized.

■ WMC will sell no more than the greater of five units or 10% percent of the total units in specific project to any Investor in a 12 month period using Limited Review.

Attached Condo Unit – Limited Review of Established Projects

DU™ Approve Recommendations:

<i>Occupancy:</i>	<i>LTV/CLTV:*</i>	<i>Florida</i>
Primary Residence	90%/90%	75%/75%
Second Home	75%/75%	70%/70%
Investment	Not Allowed	Not Allowed

All other DU™ Recommendations including Expanded Approval Recommendations:

<i>Occupancy:</i>	<i>LTV/CLTV:*</i>
Primary Residence	80%/80%
Second Home	75%/75%
Investment	Not Allowed

*Check for investor bans on Limited Review or LTV/CLTV restrictions in Florida

■ Documentation needed:

- Completed Condominium Questionnaire – Limited Review
- Appraisal
- Master Certificate of Insurance*
- General Warranty of Project Eligibility***

Fannie Mae Limited Review for Detached Units - Site Condos:

Follow all guidelines for Limited Review Type (Q), plus the following:

Appraiser must comment on, and reflect on the appraisal report, any effect that buyer resistance to the condo form of ownership has on the market value of the individual unit. Also, if the project is new, the appraiser must use as a comparable sale at least one detached condo unit, which may be located either in a competing project or in the subject project, if the condo is offered for sale by a builder other than the one that built the subject unit.

Fannie Mae Expedited Review (S) – for all Established Projects, including 2 to

4-Unit Projects: The Expedited Review process is followed when the transaction does not meet the Limited Review guidelines, and the project is not on the Fannie Mae Accepted Condominium Development List. Fannie Mae’s CPM (Condo Project Manager) will be utilized by the underwriter to provide specific project acceptance for attached and detached established condominium projects. Underwriters will perform this function by searching CPM for projects already entered and accepted by CPM or by adding a project in CPM to determine acceptance.

To be eligible under the Expedited Established Project Review, a project must meet all of the following eligibility criteria:

- The project is not an Ineligible Project Type and meets all WMC General Eligibility Requirements as defined above.
- 90% or more of the total units in the project have been sold and conveyed to unit purchasers other than the developer or a successor to the developer.
- HOA control turned over to unit owners.
- The units, common areas, and facilities within the subject legal phase have been completed per the appraisal, and the developer retains no ownership control over the common elements or amenities.
- The project may not be comprised of manufactured homes.
- No more than 15% of the total units in a project are 30 days or more past due on their HOA dues. (Verification not required for 2-4 unit projects.)
- The project budget must be adequate. At least 10% of the budget provides funding for replacement reserves for capital expenditures and replacement cost of major common elements. In addition, adequate funding must be available for insurance deductible amounts. (Budget review is not required for 2-4 unit projects.)
- The project must be located on one contiguous parcel of land, although it may be divided by a public street.
- The structures within the project must be a reasonable distance from each other.
- Common areas and facilities – such as recreational facilities and parking, must be consistent with the nature of the project and competitive in the marketplace.
- The project must have all applicable insurance coverage.
- Investor Owned Unit Limitation:
 - No limitation for primary residences or second homes. 51% of the units conveyed must be primary residences or second homes before an investment loan is eligible.
 - Projects not majority owner-occupied should demonstrate professional management and/or consideration should be given to budgeting and the percentage of owners late with HOA dues and assessments.
 - Real Estate Owned (REO) units that are for sale (not rented) may be considered as owner-occupied in the calculation of the project owner-occupancy requirements.
- All but one unit in a 2-4 unit project must be owner occupied or a second home.
- Documentation needed:
 - Completed Condominium Questionnaire – Full Review – Established Projects
 - Appraisal
 - Master Certificate of Insurance*
 - Current budget
 - General Warranty of Project Eligibility***

Note: Legal review is not required by Fannie Mae for CPM approval for Established Projects and 2-4 Unit Projects.

Fannie Mae Review (T) (see **PERS** section): Project acceptance relates to any condo project that Fannie Mae has reviewed and approved. This list (*Condo, Co-op,*

PUD Eligibility > select name of State) is found on Fannie Mae's website (www.efanniemae.com). Proposed/New Construction Projects can be approved by Fannie Mae using PERS (Project Eligibility Review Service). This classification primarily applies to proposed or new projects that are still under construction. It also applies to projects that do not meet the presale requirements for Limited or Expedited Review or which exceed the normal commercial space limitation.

As of 1/07/2010, Fannie Mae has established a Special Approval Designation for Established Florida Condo Projects which no longer meet Fannie Mae's eligibility requirements, potentially limiting access to mortgage financing. This process is provided for purchase transactions and refinances of Fannie Mae-owned or –securitized mortgage loans under Fannie Mae's standard mortgage eligibility requirements. The list of currently approved projects can be found at efanniemae.com > *Condo, Co-op, PUD Eligibility > Special Approval Designation List*

- Documentation needed:
 - Appraisal
 - Master Certificate of Insurance*
 - A printout from www.efanniemae.com – *Condo, Co-Op, PUD Eligibility*, showing the project acceptance has not expired. This printout must be provided in the file at the time of submission.
 - General Warranty of Project Eligibility***

How to check the List of Accepted Projects:

- Go to <https://www.efanniemae.com/home/index.jsp> > *Condo, Co-Op, PUD Eligibility*
- Click on state name or the Special Approval Designation List
- Check list for the condo project name,
- Print out List of Accepted Projects and add to loan file

ST	Project Name	Phase/Bldg#	CITY	Form 1027 Issued	Form 1027 Expires	Form 1028 Issued	Form 1028 Expires
IL	1620 South Michigan Condos	Entire Project/	CHICAGO			8/24/2006	8/23/2009
IL	400 North LaSalle Condos	Entire Project/	CHICAGO			2/23/2007	2/28/2010
IL	Amberwood Condos	Other/1 & 2 (881 & 941)	Addison			4/20/2005	4/18/2008
IL	Autumn Creek	Other/1A (Bldg 204)	YORKVILLE			8/15/2006	8/14/2009
IL	Autumn Creek	Other/1B (Bldgs. 217-218)	YORKVILLE			8/10/2006	8/9/2009
IL	Autumn Creek	Other/1C (Bldgs 205, 206, 216)	YORKVILLE			9/19/2006	9/18/2009

Fannie Mae Reciprocal Review for FHA-approved Projects (U) – This approval process has been eliminated by Fannie Mae.

Fannie Mae Attached PUD –for Established (Type E) Projects

To be eligible under the Lender Full Review for Attached PUD's, a project must meet all the following eligibility criteria:

- The project is not an Ineligible Project Type and meets all WMC General Eligibility Requirements as defined above.
- The project does not consist of single-width manufactured housing units
- The unit securing the mortgage is 100% complete
- The individual unit securing the mortgage satisfies Fannie Mae's insurance requirements for PUD projects.

- Documentation needed:
 - Completed Condominium Questionnaire – Full Review
 - Appraisal
 - Master Certificate of Insurance and/or individual unit insurance, as applicable*
 - General Warranty of Project Eligibility***

Note: Fannie Mae does not require a lender to perform a review of a PUD project if the mortgage is secured by a detached unit within a PUD.

Freddie Mac Review Types

Freddie Mac Streamlined Review - Established Projects or Established 2-4 Unit Projects:

To be eligible under the Streamlined Project Review, a project must meet all of the following eligibility criteria:

- The project is not an Ineligible Project Type and meets all WMC General Eligibility Requirements as defined above.
- 90% or more of the total units in the project have been sold and conveyed to unit purchasers other than the developer or a successor to the developer.
- HOA control turned over to unit owners.
- The units, common areas, and facilities within the subject legal phase have been completed per the appraisal.
- The unit must be an owner-occupied primary residence or second home.
- The maximum LTV/CLTV is dependent upon LP findings. (see following chart.)

- The unit securing the mortgage is not a manufactured home.
- No more than 15% of the total number of units in a project are 30 or more days delinquent on the payment of their Homeowners' Association assessments.
- The project budget must be adequate. At least 10% of the budget provides funding for replacement reserves for capital expenditures and replacement cost of major common elements. In addition, adequate funding must be available for insurance deductible amounts.
- Project is covered by required insurance.
- Investor Owned Unit Limitation:
 - No limitation, however projects not majority owner-occupied should demonstrate professional management and/or careful consideration must be given to budgeting and the percentage of owners late with HOA dues and assessments.
- If the subject property is part of a Master Association or master project, the Master Association complies with the requirements for the Master Association project type.
- For a Condominium Project that is formed as a result of a conversion, the project must meet the following requirements:
 - For Newly Converted Condominium Projects, the appraiser or other licensed professional has stated that the project is structurally sound, and the condition and remaining useful life of the major project components are sufficient to meet the residential needs of the project, or that the appraiser has found no evidence that any of these conditions are not met. Major components include the roof, elevators and mechanical systems such as HVAC, plumbing and electricity.
 - All rehabilitation work involved in a conversion to a Condominium Project has been completed in a professional manner
 - If the conversion was a partial rehabilitation, the Seller has verified that all repairs affecting soundness and habitability are complete and replacement reserves have been allocated for all capital improvements, and the underwriter has determined that the reserves are sufficient to fund the improvement.
- If WMC has targeted the project with specific marketing efforts or is named as the preferred lender by either the developer or the HOA, the project is ineligible for Streamlined Review and another project review process must be utilized.
- Not available for new or newly-converted projects in Florida.

Attached Condo Unit – Streamlined Review of Established Projects

LP™ Accept Recommendations:

<i>Occupancy:</i>	<i>LTV/TLTV:</i>	<i>Florida*</i>
Primary Residence	90%/90%	75%/75%
Second Home	75%/75%	70%/70%
Investment	Not Eligible	Not Eligible

All other LP™ Recommendations:

<i>Occupancy:</i>	<i>LTV/TLTV:</i>	<i>Florida*</i>
Primary Residence	80%/80%	75%/75%
Second Home	75%/75%	70%/70%

Investment	Not Eligible	Not eligible
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- Documentation needed:
 - Completed Condominium Questionnaire – Full Review – Established Projects
 - Appraisal
 - Master Certificate of Insurance*
 - Budget
 - General Warranty of Project Eligibility***

Freddie Mac Established Project Review: The Established Review process is followed when the transaction does not meet the Streamlined Review guidelines, and the Investor does not allow the reciprocal review process for warranting projects that may appear on the Fannie Mae Accepted Condominium Development List, or approved through Fannie Mae's CPM (Condo Project Manager). Underwriters will perform this function manually.

To be eligible under Established Project Review, a project must meet all the following eligibility criteria:

- The project is not an Ineligible Project Type and meets all WMC General Eligibility Requirements as defined above.
- The project must meet all the same guidelines listed under Fannie Mae Expedited Review for Established Projects.
- For a Condominium Project that is formed as a result of a conversion, the project must meet the following requirements:
 - For Newly Converted Condominium Projects, the appraiser or other licensed professional has stated that the project is structurally sound, and the condition and remaining useful life of the major project components are sufficient to meet the residential needs of the project, or that the appraiser has found no evidence that any of these conditions are not met. Major components include the roof, elevators and mechanical systems such as HVAC, plumbing and electricity.
 - All rehabilitation work involved in a conversion to a Condominium Project has been completed in a professional manner
 - If the conversion was a partial rehabilitation, the Seller has verified that all repairs affecting soundness and habitability are complete and replacement reserves have been allocated for all capital improvements, and the underwriter has determined that the reserves are sufficient to fund the improvement.
- Review of legal documents is required for Freddie Mac Established Projects.

- Documentation needed:
 - Completed Condominium Questionnaire – Full Review – Established Projects
 - Appraisal
 - Master Certificate of Insurance*
 - Current budget and legal documents**
 - Architect's/Engineer's Report, if project is a conversion within the past 3 years

➤ General Warranty of Project Eligibility***

Freddie Mac 2 to 4-Unit Project Review: The 2-4 Unit Review process is followed when the transaction does not meet the Streamlined Review guidelines, and the Investor does not allow the reciprocal review process for warranting projects that may appear on the FHA Approved Project List or that may be approved through Fannie Mae's CPM (Condo Project Manager). Underwriters will perform this function manually.

To be eligible under 2 to 4-Unit Project Review, a project must meet all the following eligibility criteria:

- The project is not an Ineligible Project Type and meets all WMC General Eligibility Requirements as defined above.
- All but one unit in the project has been conveyed to purchasers who occupy their unit as a primary residence or second home.
- No single entity owns more than one unit.
- All units and common elements are complete (including common elements owned by a Master Association).
- No manufactured homes in project.

- Documentation needed:
 - Completed Condominium Questionnaire for New Construction or Full Review – Established Projects
 - Appraisal
 - Master Certificate of Insurance*
 - General Warranty of Project Eligibility***

Freddie Mac Detached Project (Site Condos): For projects comprised solely of detached, 1-unit condo dwellings (no manufactured homes).

To be eligible under the Detached Project review process, a project must meet all the following eligibility criteria:

- The project is not an Ineligible Project Type and meets all WMC General Eligibility Requirements as defined above.
- Primary Residences and second homes: Streamlined Review is allowed, including in Florida. Follow Streamlined Review guidelines for underwriting and required documentation.
- Investment Properties: Review as a Freddie Mac Established Project and provide the required documentation. Streamlined Review is not allowed.

Reciprocal Project Review for Fannie Mae-Accepted Projects:

To be eligible under Reciprocal Project Review process for Fannie Mae-Accepted projects (PERS or CPM-approved), a project must meet all the following eligibility criteria:

- 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 Mortgage file contains documentation of Fannie Mae's acceptance (e.g. a copy of the appropriate web page showing that the Project is a Fannie Mae-accepted project or a CPM acceptance certificate).
 - Project meets the requirements of the project type. (New, Established, 2-4, etc.)
 - CPM approval is not acceptable for Florida projects.
- Documentation needed:
- Completed Condominium Questionnaire for project type
 - Appraisal
 - Master Certificate of Insurance*
 - Evidence of Fannie Mae PERS or CPM approval
 - General Warranty of Project Eligibility***

Reciprocal Review for FHA-approved Projects – This process has been eliminated by Freddie Mac.

Freddie Mac PUD

A Planned Unit Development project must meet all the following eligibility criteria:

- The project is not an Ineligible Project Type and meets all WMC General Eligibility Requirements as defined above.
 - The project does not consist of single-width manufactured housing units
 - The unit securing the mortgage is 100% complete
 - The individual unit securing the mortgage satisfies Freddie Mac's insurance requirements for PUD projects.
- Documentation needed:
- Completed Condominium Questionnaire - Full Review - Established Projects
 - Appraisal
 - Master Certificate of Insurance and/or individual unit insurance, as applicable*
 - General Warranty of Project Eligibility***

***Insurance Requirements:**

Liability Insurance

■ Hazard: blanket all risk policy with 100% of the insurable replacement cost, deductible not to exceed 5% of policy face amount per building.

■ General liability of \$1,000,000 per occurrence is required for condos. (For 2 to 4-unit projects, Majestic accepts a minimum of \$500,000, and allows for individual insurance policies in lieu of a master policy)

■ Borrowers are required to obtain a 'walls-in' Hazard Insurance coverage policy (commonly known as HO-6) unless the lender can document the master insurance policy of HOA covers the interior of the unit and any improvements. 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. Borrowers must qualify with the payment for HO-6 coverage in DTI ratios, but the HO-6 coverage is not escrowed at closing.

■ PUD projects must maintain a property insurance policy covering the common elements, and evidence of the individual unit's coverage must be provided in the file, if the project does not maintain a blanket policy covering both the units and the common elements.

■ Confirm the HOA has legal obligation to maintain adequate insurance and that the current HOA budget includes sufficient reserves to pay premium. Condominium project insurance master or blanket policies containing either of the following are prohibited:

- A blanket policy that covers multiple unaffiliated condominium associations or projects, or;
- A self-insurance arrangement whereby the owners' association is self-insured or has banded together with other unaffiliated associations to self insure all of the general and limited common elements of the various associations.

■ Flood Insurance: lesser of 100% of insurable value or maximum coverage allowed per NFIP; coverage of each unit should be the lesser of \$250,000 or the amount of its replacement cost (i.e., the replacement cost of all units combined or the number of units x \$250,000); deductible not to exceed \$250,000 per building located in the flood zone.

Fidelity Insurance

Evidence of fidelity insurance coverage is required for all condo projects that have 21 or more units. There is no requirement for PUD projects.

The fidelity insurance policy should cover the maximum funds that will be in custody of the owners' association or its management agent at any time, but no less than the sum of three months of assessments on all units in the project.

Note: Fidelity (aka *crime or employee dishonesty*) insurance is a type of insurance that a condominium obtains to protect itself against economic loss from dishonest acts (claims that allege employee dishonesty, embezzlement, forgery, robbery, computer fraud, wire transfer fraud, counterfeiting, and other criminal acts) of anyone who either handles (or is

responsible for) funds that the association or corporation holds or administers, whether or not that individual receives compensation for services. (May or may not be included in the D&O – Directors and Officers coverage) The HOA must carry its own insurance coverage. A management company's own fidelity coverage, though advisable, does not meet this requirement.

****Legal Requirements:**

Attorney's Opinion Letter: A qualified attorney engaged by the lender may issue a written legal opinion based upon review of the project's legal documents which states they are in compliance with the following legal requirements as required per Fannie Mae. The attorney may be the same person who prepared the legal documents but he/she cannot be an employee, principal or officer of the developer or sponsor of the project. (This attorney review is not mandatory, but will be required, at the discretion of the underwriter or the WMC condo project specialist, whenever the project documents are not clear with regard to any of the following Legal Requirements:

Compliance with laws – The condominium project has been created and exists in full compliance with the state law requirements of the jurisdiction where the condominium project is located and all other applicable laws and regulations.

Limitations on ability to sell/right of first refusal – Any right of first refusal in the condominium 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.

Amendments to Documents –

- The project documents must provide that amendments of a material adverse nature to mortgagees be agreed to by mortgagees that represent at least 51 percent of the votes of unit estates that are subject to mortgages.
- The project documents must provide for any action to terminate the legal status of the project after substantial destruction or condemnation occurs or for other reasons to be agreed to by mortgagees that represent at least 51 percent of the votes of the unit estates that are subject to mortgages.
- The project documents may provide for implied approval to be assumed when a mortgagee fails to submit a response to any written proposal for an amendment within 60 days after it receives proper notice of the proposal, provided the notice was delivered by certified or registered mail, with a "return receipt" requested. (Failure to submit a response within 30 days is permissible when the declaration was recorded prior to August 23, 2007.)

Rights of Condo Mortgagees and Guarantors – The project documents 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 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 on which it holds the mortgage;
- A lapse, cancellation, or material modification of any insurance policy maintained by the homeowners' association; and
- Any proposed action that requires the consent of a specified percentage of mortgagees.

First mortgagee's rights confirmed – No provision of the condominium project documents gives 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 insurance proceeds or condemnation awards for losses to or a taking of condominium units and/or common elements.

Unpaid dues - Any first mortgagee who obtains title to a condominium unit pursuant to the remedies in the mortgage or through foreclosure will not be liable for more than six months of the unit's unpaid regularly budgeted dues or charges accrued before acquisition of the title to the unit by the mortgagee. If the condominium association's lien priority includes costs of collecting unpaid dues, the lender will be liable for any fees or costs related to the collection of the unpaid dues.

*****General Warranty**

The lender represents and warrants that it reviewed the project to determine that it met the required eligibility criteria within the three months that preceded the date of the note and mortgage for that unit. The lender also warrants that it is not aware of any change in circumstances since its review of the project that would result in the project not satisfying out eligibility criteria.

Fannie Mae Project Eligibility Review Services (PERS)

Full details on the process are available on Fannie Mae's website at <https://www.efanniemae.com/sf/guides/ssg/relatedsellinginfo/condogls/pers.jsp>