



Lending Compliance Report™



**PREPARED
FOR:**

Sample Condominium Association
1600 West Sample Ave
Westport, WA 98595

SOURCE DOCUMENTS USED:

Lender Questionnaire

Governing Documents

Budget

**Additional Documents when
Applicable (Litigation, Flood
Dec, Financials etc.)**

Certificate of Insurance



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BACKGROUND

The Lending Compliance Report provides key insights to Fannie Mae and Freddie Mac compliance and creates more efficiency for HOAs when interfacing with mortgage lenders. The CondoTek Lending Compliance Report will also provide key insights for non-warrantable and portfolio loan products.

FAQS



WHAT IS THE CONDOTEK LENDING COMPLIANCE REPORT?

The CondoTek Lending Compliance Report validates project data to Fannie Mae and Freddie Mac guidelines. The CondoTek Lending Compliance Report allows HOAs, Lenders, Management Companies etc. to instantly know if the project is GSE compliant, saving significant cost and time. CondoTek Lending Compliance Reports are guided by proprietary automation and industry leading expertise to provide the highest quality decision in the lending industry.



WHY SHOULD I PURCHASE THE CONDOTEK LENDING COMPLIANCE REPORT?

Great question! The CondoTek Lending Compliance Report saves all stakeholders the time and needed expertise to review a Condominium or Coop Project for Fannie and Freddie lending compliance. Stakeholders can instantly know if a project is available for Fannie or Freddie lending.



HOW DO I KNOW THE LENDING COMPLIANCE REPORT IS CORRECT?

CondoTek uses proprietary automation to validate project data to agency guidelines. CondoTek's industry leading software is informed by national experts in Condo and Coop Review and incorporates all of the most current agency guidelines. By using the best software, CondoTek's opinion of compliance is the most accurate, most consistent and the highest quality review in the industry.



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SUMMARY

FANNIE MAE: NON - COMPLIANT
FREDDIE MAC: NON - COMPLIANT
PORTFOLIO: INVESTOR DISCRETION

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This project DOES NOT comply with agency guidelines for the following reason(s):

- 1- Fannie Mae Selling Guide B7-3-03:
 - a. Per Insurer Inflation Guard is not on the policy and does not have some form of automatic limit increase of policy or annual review,
- 2- Fannie Mae Selling Guide B7-3-03:
 - a. Per Insurer coverage lacks components B & C of the Building Ordinance or Law coverage and available to be purchased.

****POST-REVIEW GUIDANCE/RECONSIDERATION****

Compliance easily resolved as follows:

1. HOA to authorize changes to policy:
 - a. Insurer to evidence policy contains Building Ordinance A, B and C
2. HOA to authorize changes to policy:
 - a. Insurer to evidence Inflation guard is included on the master insurance policy

LENDING COMPLIANCE REPORT



FANNIE MAE: **NON - COMPLIANT**

FREDDIE MAC: **NON - COMPLIANT**

PORTFOLIO: **INVESTOR DISCRETION**

EXPIRATION DATE: 12/31/20XX

Review Type: Fannie Mae Full Review
Community/Project Name: Sample Condominium Association
Subject Property Address: 1600 West Sample Avenue Westport, WA 98595
Management Company: A Capella Group | Scott Singer | 960-328-7900 Direct | scott@samplecom

Deferred Maintenance		
1.1)	Is the HOA or Management company aware of any conditions, either outlined within the last 6 months of meeting minutes, inspection or certification reports, subject to evacuation orders, notice of code violations, or made aware by any other means, of a project-wide deferred maintenance within the project that may negatively impact the safety, structural soundness, or habitability, as a whole, in part or for any individual units? If Yes, please explain.	No
1.2)	Are there any current Code Violations or anything effecting habitability of any of the units or buildings in the project?	No
1.3)	Is the project subject to evacuation orders?	No
1.4)	Does the project have material deficiencies that would result in critical element or system failure within 1 year?	No
1.5)	Is there any mold, water intrusion, or damaging leaks that have not been repaired?	No
1.6)	Advanced physical deterioration?	No
1.7)	Has the project failed to pass state or other jurisdictional inspections or certifications related to structural soundness, safety, or habitability?	No
1.8)	Are there any unfunded repairs costing more than \$10,000 per unit that should be taken within the next 12 months?	No
1.9)	Has there been a building inspection of any kind by a licensed architect, engineer, or other building inspector?	No

HOA Questionnaire		
2.1)	Are all the units, common elements and amenities in the project 100% complete?	Yes
2.2)	Year HOA turned over to homeowners?	1986
2.3)	Date Project Built?	8/01/1985
2.4)	Total number of units sold and closed or under contract to owner-occupants.	19
2.5)	Total Number of Units in the Project.	20
2.6)	Total number of units sold and closed.	20
2.7)	Total number of units sold and closed or under contract to second homeowners.	0
2.8)	Total number of units sold and closed or under contract to investor owners.	1
2.9)	What are the most units any SINGLE ENTITY owns (answer is "1" if no single entity owns more than one unit)?	2
2.10)	What percentage of project is COMMERCIAL SPACE?	0.00%

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	2.11) Has Control of the Condominium Association been transferred from the developer/builder to the Unit owners?	Yes
	2.12) Do the unit owners have sole ownership interest in and the right to use the project amenities and common areas?	Yes
	2.13) Are any of the project's amenities shared with another separate HOA or separate Condo project? (This does NOT include common and limited common elements shared only amongst the owners of this HOA/condo)	No
	2.14) Are units held Fee Simple?	Yes
	2.15) Does the project consist of solely detached dwellings?	No
	2.16) Does the project consist of manufactured housing?	No
	2.17) Does the project have a central heating and/or cooling system?	No
	2.18) Are there deed or resale restrictions?	No
	2.19) Does the project have supportive or continuing care for seniors or for residents with disabilities?	No
	2.20) Does the project have Mandatory fee-based memberships for use of project amenities or services?	No
Governing Documents		
	3.1) Is there a private transfer fee upon the conveyance of a unit? If YES, who is it paid to and why?	No
	3.2) If the lender obtains title to a unit thru foreclosure How many months of unpaid assessments is the mortgagee responsible for?	0
Budget		
	4.1) Are there any loans outstanding for the association?	No
	4.2) Does the project have non-incidental income from business operations?	No
	4.3) What is TOTAL ASSESSMENT INCOME listed on Budget?	\$104,645.20
	4.4) Does the budget contain income related to rental of units, or, expenses related to hospitality, hotel-like amenities (see above), OR hotel/motel/short term rental tax payments?	No
Special Assessment		
	5.1) Are there any current special assessments or any planned special assessments?	No
Litigation		
	6.1) Is the Condominium Project or Condominium Association subject to pending Litigation?	No
Reserve Study		
	7.1) Is there a reserve study?	No

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General Insurance Details		
	8.1) Does the Name of the HOA exactly match the Name of the Project on the Master Questionnaire?	Yes
	8.2) Is the Borrower name correct on the Certificate of Insurance?	Yes
	8.3) Is the Loan Number correct on the Certificate of Insurance?	Yes
	8.4) What are the TOTAL NUMBER OF UNITS listed on the Certificate Of Insurance?	20
	8.5) Does the Condominium Association have a master or blanket Hazard Insurance policy that combines coverage for multiple unaffiliated projects?	No
	8.6) Is the Form Type either All Risk or Special with no excluded Perils?	Yes
	8.7) What is the Financial Strength Rating from AM Best Company?	A++ to A+
	8.8) Does the project require flood insurance?	No
Hazard/Property Insurance		
	9.1) Is the HOA the named insured on the hazard/property insurance?	Yes
	9.2) Is the subject unit and property address listed on the Hazard Property Insurance?	Yes
	9.3) What is the highest Property Insurance deductible amount (including separate named perils)?	\$5,000.00
	9.4) What is the highest Property Insurance "per-unit" deductible for any Peril (if no per unit deductible, enter "0")?	\$0.00
	9.5) What is building limit amount?	\$2,622,000.00
	9.6) Does an appropriately qualified Replacement Cost Estimate, independent insurance risk appraisal, or a clear statement from the insurer confirm and verify that the property insurance coverage amount is at least equal to 100% of the replacement cost value of the project improvements, including common elements and residential structures, as of the current property insurance policy effective date?	Yes
	9.7) Are all claims settled on a replacement cost basis, including all components, perils, and locations, and no part of the policy is settled on an actual cash value basis?	Yes
Hazard Property Insurance Endorsements		
	10.1) What is the EXPIRATION DATE of the Hazard/Property Insurance?	11/01/2025
	10.2) Does the policy include a Waiver of Rights of Recovery (Waiver of Subrogation) as to unit owners	Yes
Fail	10.3) Does the Hazard/Property insurance confirm Building Ordinance or Law Endorsement with Components A, B & C?	No
Fail	10.4) Is Building Ordinance or Law Endorsement obtainable in the insurance market available to the association?	Yes
Fail	10.5) Does Hazard/Property Insurance confirm INFLATION GUARD ENDORSEMENT?	No
Fail	10.6) Is Inflation Guard Endorsement obtainable in the insurance market available to the association?	Yes
Warning	10.7) Is the Hazard Insurance coverage "WALLS IN" including betterments and improvements?	No

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Project Eligibility Characteristics

11.1)	Does the project allow an owner to hold title (or share ownership and the accompanying occupancy rights) to a single legal unit that is sub-divided into multiple residential dwellings within the single legal unit, with ownership of the unit (or shares) evidenced by a single deed and financed by a single mortgage (or share loan); May also be referred to as a lock-off units or accessory dwelling unit?	No
11.2)	Does the project contain any "Live/Work" units?	No
11.3)	Are any of the project's amenities subject to a recreational lease, subject to a shared amenities/use agreement, or otherwise not owned by the HOA? If YES Please ATTACH any AGREEMENTS	No
11.4)	Is the project a "common interest" apartment or community, owned through tenancy-in-common, timeshare or segmented ownership, or do the unit owners have an undivided interest in a non-condo residential apartment building and its land?	No
11.5)	Does the project include Deeded non-realty items? (Including but not limited to houseboats, cabanas, deeded storage units) If YES Please provide DETAILS	No
11.6)	Has any individual bought two or more individual legal units and combined them?	No
11.7)	Does the project have any interior decorating restrictions or contain any units without full-sized kitchen appliances, units that are less than 400 square feet, or units containing interior doors that adjoin different units ? (May also be referred to as a "lock off units")	No
11.8)	Is the condominium project subject to or a party to any franchise agreements?	No
11.9)	Does the condominium have any resort or hotel-style amenities (e.g Spa, concierge, rentals of recreational equipment, childcare services, airport shuttles, ski lift or trails shuttles/passes, vacation packages; registration services, daily cleaning, central telephone system or central key system.	No
11.10)	Is the project a conversion 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 type of transient housing?	No
11.11)	Does the HOA or project's legal documents require owners to make their unit available for rental pooling (daily or otherwise)?	No
11.12)	Has the project obtained a hotel or resort rating for hotel/motel resort type operations through hotel ratings providers (such as travel agencies, hotel booking sites and internet search engines)?	No
11.13)	Is the project or unit marketed as an investment opportunity?	No
11.14)	Does the project have a legal or common name that contains hotel, motel, or resort?	No
11.15)	Is the project professionally managed by a hotel or resort management company that also facilitates short term rentals for unit owners or for other projects that are licensed as a hotel, motel, resort, or hospitality entity?	No

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ANSWER VALIDATION SECTION

QUESTION: **FAIL**

Does the Hazard/Property insurance confirm Building Ordinance or Law Endorsement with Components A, B & C?

ANSWER:

No

VALIDATION MESSAGE:

Reference Fannie Selling Guide B7-3-03: Master Property Insurance Requirements for Project Developments/Special Coverage Requirements. Building Ordinance or Law Coverage, Coverages A, B, and C are required coverages for Fannie Mae. It may either be a separate policy or as an endorsement to their current policy.

COMMENTS:

Fail- Per Insurer coverage lacks components B & C of the Building Ordinance or Law coverage and available to be purchased.

QUESTION: **FAIL**

Is Building Ordinance or Law Endorsement obtainable in the insurance market available to the association?

ANSWER:

Yes

VALIDATION MESSAGE:

Reference Fannie Selling Guide B7-3-03: Master Property Insurance Requirements for Project Developments/Special Coverage Requirements. Building Ordinance or Law Coverage must be included in the policy if it is obtainable in the insurance market available to the Association.

COMMENTS:

Fail- Per Insurer coverage lacks components B & C of the Building Ordinance or Law coverage and available to be purchased.

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ANSWER VALIDATION SECTION

QUESTION: FAIL

Does Hazard/Property Insurance confirm INFLATION GUARD ENDORSEMENT?

ANSWER:

No

VALIDATION MESSAGE:

Reference Fannie Selling Guide B7-3-03: Master Property Insurance Requirements for Project Developments/Special Coverage Requirements. Inflation Guard is required unless the insurer confirms in writing that it is not available to this Association in the marketplace.

COMMENTS:

Fail - Per Insurer Inflation Guard is not on the policy and does not have some form of automatic limit increase of policy or annually review,

QUESTION: FAIL

Is Inflation Guard Endorsement obtainable in the insurance market available to the association?

ANSWER:

Yes

VALIDATION MESSAGE:

Reference Fannie Selling Guide B7-3-03: Master Property Insurance Requirements for Project Developments/Special Coverage Requirements. Inflation Guard must be included in the policy if it is obtainable in the insurance market available to the Association.

COMMENTS:

Fail - Per Insurer Inflation Guard is not on the policy and does not have some form of automatic limit increase of policy or annually review,

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ANSWER VALIDATION SECTION

QUESTION: WARNING

Is the Hazard Insurance coverage "WALLS IN" including betterments and improvements?

ANSWER:

No

VALIDATION MESSAGE:

Reference Fannie Selling Guides B7-3-04 & B7-3-03:

HOA or Insurer has advised that there is no walls-in coverage in the master property policy. The lender MUST confirm, if there is no walls-in coverage, the Lender MUST verify and confirm that the borrower maintains a compliant policy "appropriate individual unit/dwelling coverage" with coverage sufficient to restore the unit to its condition prior to a loss event.

COMMENTS:

Pass - Our team has confirmed via the certificate of insurance provided that walls-in with betterments and improvements are not included.

****IMPORTANT NOTE:** The lender must obtain the individual unit- owner/homeowner insurance policy appropriate to the dwelling/unit type and review it for compliance with the applicable guidelines.