

Non Warrantable Condominium Guidelines

Non Warrantable Condominium Guidelines		
Program Eligibility	Program Eligibility	Non-Warrantable Condos allowed on Choice Advantage, Alternative and Investor (On Ascent, condominium must be warrantable as defined by Fannie Mae)
Lender Exposure	RPFC	Royal Pacific Funding will not finance more than 25% of the units in any one project
Primary Residence & Second Homes		
Primary and Second Home Loan Eligibility	Maximum DTI	45% max DTI
	Minimum FICO	Min 680 FICO required
	Maximum LTV	Reduce max LTV by 5%. New Construction Condos require 10% LTV reduction from respective program maximum.
Investment		
Investment Loan Eligibility	Maximum DTI	43% max DTI
	Minimum FICO	Min 680 FICO required
	Maximum LTV	Reduce max LTV by 5%. New Construction Condos require 10% LTV reduction from respective program maximum.
Non Warrantable Condominium Project Allowances and Documentation Requirements		
Project Review Types		Limited Project Review
	Project Review Documentaion	<p>Limited Review Documentation:</p> <ul style="list-style-type: none"> • HOA questionnaire • Master property Ins cert (s) and flood, if applicable • Flood cert • Title report • Appraisal • Litigation docs, if applicable ex. Complaint, atty opinion letter if available • Ground lease and master sub, if applicable • Additional documentation may apply based on condo team's review
		Full Project Review
		<p>Full Review Documentation:</p> <ul style="list-style-type: none"> • HOA questionnaire • Master property Ins cert (s) and flood, if applicable • Flood cert • Title report • Appraisal • Litigation docs, if applicable ex. Complaint, atty opinion letter if available • Ground lease and master sub, if applicable • HOA Budget • Master liability insurance • >20 units Master fidelity Insurance(aka employee dishonesty or crime) • CC&Rs (new construction and conversion only) • Engineers report (condo conversion within last 2 years)
Project Characteristics	Commercial/Non-residential %	Subject property unit must be 100% residential Project/building commercial % must be ≤50%. If commercial % exist, must be "typical for market & have no negative impact on marketability". Commercial % is determined by appraiser. No further assessment required.
	Zoning	Legal conforming and Legal non-conforming allowed (per Fannie Mae guidance)- allowed via limited & full project review
	Mandatory Membership Fees	Allowed via limited & full project review
	Minimum Sq. Footage	Units must be at least 475 square feet
	Fractured project	Fractured Projects Definition: A "New" project where the builder/developer is renting out over 10% of the project OR the original builder/developer went bankrupt; and a subsequent developer or construction lender took over the project and is now renting/selling the remaining units. Allowed via limited & full project review (see single entity ownership for requirements)
	HOA lien priority States	Allowed - up to 12 months HOA dues if within lien priority state, document via HOA cert
	Single entity ownership	<p>≤ 50% single entity ownership allowed via limited & full project review</p> <p>50.1%-75% single entity ownership allowed with the following requirements</p> <ul style="list-style-type: none"> • Only allowed for established / existing project type (as defined by Fannie Mae) • Project may not have insufficient budgetary reserves
Pending Litigation	<p>HOA is named as Plaintiff in suit - allowed via limited & full project review</p> <p>Examples of allowable pending litigation:</p> <ul style="list-style-type: none"> • HOA is named as the Plaintiff in a foreclosure action, or as a Plaintiff in an action for past-due HOA assessments 	
Project Financials	HOA Budget / Replacement Reserve Requirements	<p>≥ 5% allocation of replacement reserves - allowed</p> <p>3-5% allocation of replacement reserves - annual budget required</p> <p>< 3% allocation of replacement reserves - annual budget required & reserve study completed by a professional</p>
	HOA Reserve Balance	<p>25% of HOA dues > 60 days' delinquent - allowed</p> <p>> 25% of HOA dues > 60 days' delinquent = excessively insufficient</p> <ul style="list-style-type: none"> • Projects with excessively insufficient budgetary reserves are allowed on a case by basis with a reserve study completed within the last 5 years by professional (Engineer, Architect, CPA, General Contractor, or Property Manager w/ 3yrs experience)
	Non-Incidental Business Income	Allowed via limited & full project review
Project Types	Condo Conversion	Not allowed via limited project review
	New Condominium	Not allowed via limited project review
	Condotel	<p>Condotels affiliated with a nationally recognized hotel chain (Westin, Four Seasons, Ritz, etc.) - allowed via limited and full project review.</p> <p>Non-affiliated condotels - allowed via limited review and must meet the following requirements:</p> <ul style="list-style-type: none"> • Project has been established for a minimum of 3 years. • ≤ 15% of HOA dues allowed to be > 60 days' delinquent • ≥ 5% replacement reserves • No special assessments allowed for repair/replacement of major components (Special assessments for non-mandatory items, e.g., lobby redesign and updating or front entrance beautification are acceptable.) • Project must be in at least average condition with no project deferred maintenance cited by the subject unit's appraisal report <p>Non-affiliated condotels - that do not meet limited criteria may be considered with the following requirements:</p> <ul style="list-style-type: none"> • Project has been established for a minimum of 3 years. • < 35 of HOA dues allowed to be > 60 days' delinquent • > 1% replacement reserves • Reserve study completed by a professional within the last 5 years required • No special assessments allowed for repair/replacement of major components (Special assessments for non-mandatory items, e.g., lobby redesign and updating or front entrance beautification are acceptable.) • Project must be professionally managed by either a property management company or an individual property manager holding a designation such as: CAM, CPM etc.)
Ineligible Project Types & Characteristics	Houseboats	
	Manufactured Homes	
	Common Interest Apartments, Tenants-in-Common or Continuity Interest Apartment	
	Continuing Care Retirement Communities (CCRC)	
	Deed Restriction Communities (age restricted communities permitted)	
	Multi Dwelling Units (allowed within project by not allowed on subject property unit)	
	Investment Securities Project registered with the SEC	
	Live/Work Projects	
	Private Transfer Fees	
Units w/less than full kitchens.(All kitchens must have a minimum of 14 cu. ft. refrigerator, 2 burner cooktop, oven and sink)		
Projects with time shares or fractional ownership		