



NON-WARRANTABLE CONDO FAQ'S

| Question | | Answer |
|----------|--|---|
| 1 | What specific condo project characteristics are considered for “non-warrantable” eligibility with Brokers Advantage? | <p>The following characteristics are considered as part of Broker’s Advantage’s non-warrantable condominium project criteria:</p> <ul style="list-style-type: none"> • Commercial Space • New Projects • Delinquent HOA Dues • HOA Control • HOA Reserves • Investor Concentration • Litigation • Single Entity Ownership • Condotel |
| 2 | Does Brokers Advantage allow condotel projects? | Yes, these are considered with specific restrictions to project criteria and characteristics. Please reference section 3.12.4 Condotels of Brokers Advantage Loan Eligibility Guidelines for all details. |
| 3 | Does Brokers Advantage allow warrantable projects, as well as non-warrantable? | <p>Yes, Brokers Advantage will allow both warrantable and non-warrantable condo projects.</p> <ul style="list-style-type: none"> • Warrantable projects are reviewed and approved based on Fannie Mae project criteria. |
| 4 | Are projects allowed to have more than one non-warrantable characteristic? | No, only one (1) non-warrantable factor per project is considered. Projects with multiple non-warrantable characteristics are not eligible. |
| 5 | What is the max LTV allowed for non-warrantable condo transactions? | <p>Max LTV is 75%</p> <ul style="list-style-type: none"> ○ For investment cash-out refinance transactions, max LTV is 70% |
| 6 | Are any borrower types not eligible for non-warrantable condos? | Foreign National borrowers are not eligible for non-warrantable condos. |
| 7 | Are condo conversions allowed? | Yes, conversions are allowed, but they must be at least two (2) years old. Condo conversions less than 2yrs are not eligible. |
| 8 | Are there any restrictions as to how much exposure Brokers Advantage will allow in a condo project? | <p>The following limits apply to Broker’s Advantage’s max exposure in a condo project:</p> <ul style="list-style-type: none"> • Total fundings not exceeding \$5million or 15% of the project, whichever is lower; • Max concentration to one borrower in a condo project is limited to two (2) units. |
| 9 | What project documents are required to be provided for non-warrantable project review? | <p>The following documents are typically required:</p> <ul style="list-style-type: none"> • Completed HOA Certificate • Copy of Master Property Insurance and Flood Insurance (if applicable) |

NON-WARRANTABLE CONDO FAQ'S

| | | |
|----|--|--|
| | | <ul style="list-style-type: none"> • For new construction, CCR's and By-laws • Litigation documents, if applicable <ul style="list-style-type: none"> ▪ Document outlining complaint ▪ Attorney's opinion letter • Ground lease, if applicable |
| 10 | What is the maximum percentage of commercial space in a project? | Commercial space in a building/project cannot exceed 50%. Any commercial must be typical to the marketplace & have no negative impact on marketability. The subject unit must be 100% residential |
| 11 | What is the minimum pre-sale percentage for new projects? | Minimum 50% of units must be sold or under contract. |
| 12 | Are all common areas and amenities required to be complete? | Yes, all common areas in the project must be 100% complete. |
| 13 | What is the maximum percentage of units that are delinquent on their HOA dues? | No more than 20% of the total units in the project may be 60 days or more (0x60) past due HOA fees. Any higher percentage would make the project ineligible. |
| 14 | Is the project developer allowed to maintain control of the HOA at any point in the transaction? | The developer may be in control of the HOA as long as the Master Agreement provides for the homeowners to take control upon either: <ul style="list-style-type: none"> • A predetermined percentage of units have been sold, or • Within a defined time period. |
| 15 | Can a commercial entity maintain control of the HOA? | No, a commercial entity cannot control the HOA. |
| 16 | Is the HOA budget required to allocate a certain percentage for reserves? | Yes, the annual budget from the HOA must specify a minimum of 5% has been allocated for replacement reserves. |
| 17 | What is the maximum percentage of units within the project used for investment purposes? | Investment concentration is allowed up to 60% of the units (meaning at least 40% of the units must be owner-occupied). Higher investor percentages may be accepted case-by-case when an established history of the higher percentage within the project is demonstrated. |
| 18 | What is the maximum percentage of units in the project that can be owned by a single individual or entity? | The maximum percentage of single-entity ownership withing a project is 25%. |
| 19 | If a project/HOA is currently pending litigation, is the project not eligible? | Not necessarily, projects with pending litigation may be considered on a case-by-case basis. |
| 19 | Are there any forms of litigation that are not acceptable? | Yes – litigation against the project/HOA that involves any one of the following are not acceptable for approval: <ul style="list-style-type: none"> • Structural issues • Health & safety issues • Any items that will negatively impact the marketing of the projects |