Fannie Mae®

Multifamily Selling and Servicing Guide

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Chapter 20 Condominium Properties

Section 2001 Eligible Mortgage Loans

☑ Requirements

For any Condominium Property, you must:

- evaluate the Condominium Documents for compliance with the Condominium Document Review Checklist (Form 6498);
- determine if it is a:
  - Residential Condominium where the Borrower owns:
    - 100% of the units (i.e., a Wholly-Owned Condominium); or
    - less than 100% but at least 80% of the units (i.e., a Fractured Condominium); or
  - Commercial Condominium where the Borrower owns 100% of the residential units but does not own any other unit;
- ensure each Condominium Property unit:
  - is a separate tax parcel; and
  - has a separate tax bill;
- confirm:
  - the entire Property is subject to the Condominium regime;
  - all assessments and payments due per the Condominium Documents are current;
  - future assessments and payments from the Borrower are subordinate to the Mortgage Loan;
  - the Borrower is:
    - complying with all Condominium Documents; and
    - not involved in any Condominium Property disputes that may
      - result in material litigation, or
      - materially adversely impact the Property; and
- retain Form 6498 in your Servicing File.

☑ Requirements

Control Requirements	
For a...	To be eligible for Delivery, you must ensure the Borrower has...
Wholly-Owned Condominium	Complete control to directly or indirectly manage and operate the Condominium Property, through voting rights, consent rights, or ownership, to control all: • voting outcomes; and • actions taken, including for: - Condominium termination; - Condominium Document amendments; - assessments and budgets; - insurance requirements; and - post casualty or condemnation: ▪ restoration and repair; and ▪ proceeds or award application.

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Control Requirements	
For a...	To be eligible for Delivery, you must ensure the Borrower has...
Fractured Condominium or Commercial Condominium	Material control (including the requisite votes in any Person directly or indirectly governing the Condominium), either individually or with its mortgagee, to: • prevent: - Condominium termination; and - any Material Amendment to the Condominium Documents; and • require, either directly or per the Condominium Documents: - Condominium repair and restoration, including common elements, for any casualty or condemnation damage equal to 80% or less of either the ▪ common elements, or ▪ Borrower-owned Condominium units; and - for any casualty or condemnation neither repairable nor restorable, timely distribution of insurance or condemnation proceeds to Condominium unit owners.

Guidance

Condominium Document Review	
Topic	You should review the Condominium Documents to evaluate...
Governing Body	Membership • composition, • appointment, and • removal.

Condominium Document Review	
Topic	You should review the Condominium Documents to evaluate...
Voting	Thresholds for • making decisions, • amending documents, and • terminating the condominium structure.
Association	• Responsibilities for - collecting fees, - managing maintenance tasks, - obtaining adequate insurance, and - mediating disputes. • Requirements and restrictions for - operations, - physical appearance, - common area alterations, - unit alterations, and - rebuilding.
Assessment Fees	Provisions for • establishment, • escalation, and • special assessments.
Common Areas	Use of • shared amenities, • ingress/egress, and • parking.
Financials	Reasonableness of • annual budget, • 3 years Condominium income/expense statements, and • reserves.

Condominium Document Review	
Topic	You should review the Condominium Documents to evaluate...
Insurance Proceeds and Condemnation Awards	How funds are • held, • applied, and • disbursed.
Covenant Enforcement	Ability to, and history of, • levying fines, • collecting interest, and/or • placing and foreclosing liens.
Insurance	Coverage for • property (e.g., accidents, fire, equipment failure, flood, wind, etc.), • liability (personal injury), and • directors and officers (e.g., theft, fraud, etc.).

Section 2003 Loan Documents

☑ Requirements

Loan Documents	
For a...	You must ensure execution of...
Wholly-Owned Condominium	• Modifications to Multifamily Loan and Security Agreement (Condominium Provisions) (Form 6202); and • Modifications to Security Instrument (Condominium Subordination) (Form 6304).

Loan Documents	
For a...	You must ensure execution of...
Fractured Condominium or Commercial Condominium	• Modifications to Multifamily Loan and Security Agreement (Fractured/Commercial Condominium Provisions) (Form 6258); • Estoppel Certificate attached to Form 6258 , executed by the condominium association; • Modifications to Security Instrument (Condominium Subordination) (Form 6304);and • Guaranty of Non-Recourse Obligations (Form 6015).

Glossary

B

Borrower	Person who is the obligor per the Note. **Synonyms** • Borrowers • Borrower's

C

Commercial Condominium	Mixed-use Condominium Property combining Borrower-owned multifamily residential units with 1 or more other uses (e.g., retail, hotel, office, etc.) which may not be Borrower-owned.
Condominium	Statutorily established Property ownership regime where Condominium Documents designate: • individual units for separate ownership; and • common areas for shared use and joint ownership by the unit owners.
Condominium Documents	Governing documents: • for the Condominium and owners associations - creation, - operation, and - management; and • including Condominium instruments for Condominium governance, such as - declarations, - plats, - bylaws, - rules and regulations, - articles of incorporation, or - any other document required by law. **Synonyms** • Condominium Document

Control	Possessing, directly or indirectly, the power to direct or cause the management and operations of an entity (e.g., through the ownership of voting securities or other ownership interests, or by contract). **Synonyms** • Controlling • Controlled • Controls

D

Delivery	Submission of all correct, accurate, and certifiable documents, data, and information with all applicable documents properly completed, executed, and recorded as needed, and any deficiencies resolved to Fannie Maes satisfaction. **Synonyms** • Deliver • Delivered • Deliveries

F

Fractured Condominium	Residential Condominium Property where the Borrower owns less than 100% of the units.

G

Guaranty	Payment Guaranty, Non-Recourse Guaranty, or other guaranty by a Guarantor for the Mortgage Loan.
Guide	Multifamily Selling and Servicing Guide controlling all Lender and Servicer requirements unless a Lender Contract specifies otherwise. **Synonyms** • DUS Guide

L

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Lien	Lien, mortgage, bond interest, pledge, security interest, charge, or encumbrance of any kind. **Synonyms** • Liens
Loan Documents	All Fannie Mae-approved documents evidencing, securing, or guaranteeing the Mortgage Loan. **Synonyms** • Loan Document • Mortgage Loan Document • Mortgage Loan Documents

M

Material Amendment	Change to the Condominium Documents pertaining to: • modifying, after a casualty or condemnation, - insurance requirements, - use of insurance proceeds, or - rebuild requirements; • altering or restricting the use of the - Condominium units, - common elements, or - other easements; • decreasing mortgagee - rights, or - notices; • altering or diluting - voting rights, or - the number of board seats; • diluting Borrower's ownership interest in, or use of, common elements; • changing the structure or methodology for determining assessments and special assessments; or • causing or allowing termination of the Condominium structure without Borrower or mortgagee consent.

Mortgage Loan	Mortgage debt obligation evidenced, or when made will be evidenced, by • the Loan Documents, or • a mortgage debt obligation with a Fannie Mae credit enhancement. **Synonyms** • Mortgage Loans • Mortgage Loan's

N

Non-Recourse Guaranty	Guaranty executed by a Key Principal on Form 4501 series or Form 6015 series, or approved by Fannie Mae. **Synonyms** • Guaranty of Non-Recourse Obligations

P

Person	Legal person, including an • individual, • estate, • trust, • corporation, • partnership, • limited liability company, • financial institution, • joint venture, • association, or • other organization or entity (whether governmental or private). **Synonyms** • Persons • Person's

Property	Multifamily residential real estate securing the Mortgage Loan, including the • fee simple or Leasehold interest, • Improvements, and • personal property (per the Uniform Commercial Code). **Synonyms** • Properties • Property's

R

Residential Condominium	Condominium Property where all units are residential.

S

Security	MBS, PFP MBS, or REMIC. **Synonyms** • Securities
Security Instrument	Instrument creating a lien or encumbrance on 1 or more Properties and securing the Loan Document obligations. **Synonyms** • Security Instruments • Security Instrument's
Servicing File	Your file for each Mortgage Loan serviced. **Synonyms** • Servicing Files

W

Wholly-Owned Condominium	Residential Condominium Property where the Borrower owns 100% of the units.

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