



Condo Loan Origination Through Closing

Ensuring Lending Compliance

2025

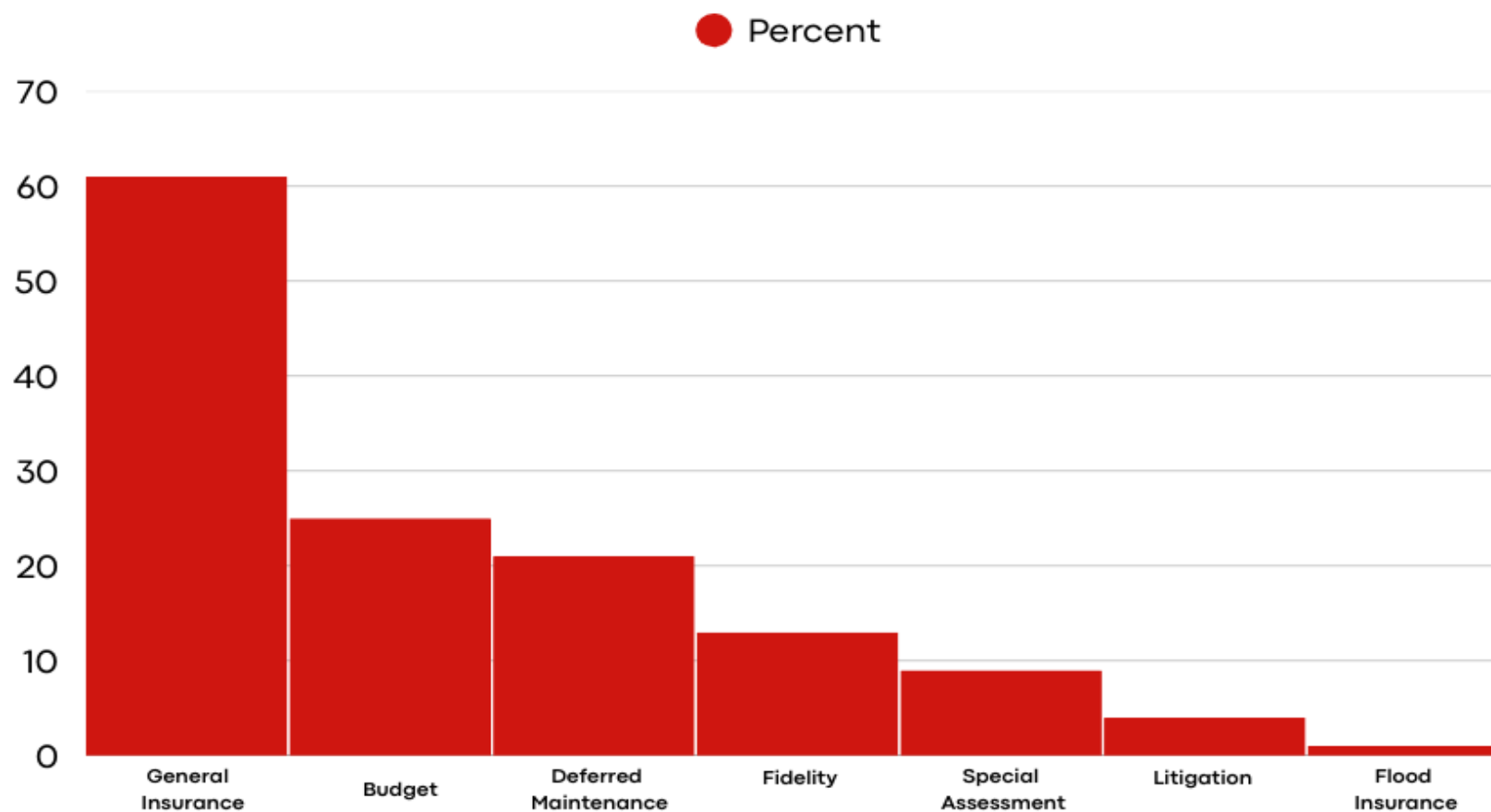
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Condo Lending Market Conditions

- More Than 5300 Associations Designated as “Unavailable For Lending”
- State Regulations Greatly Impacting Eligibility
 - Florida and California
 - Elevated Structures and SB 326
 - Mandatory Structural Reserve Studies
- Property Management Insurance: Prohibited from Answering Structural and Mechanical Questions on Condo Questionnaires
- "None of Your Business", "NA", "Unknown" Becoming More Common Answers from Boards, Managers and Insurers
- Let's Argue! Boards and Managers Pushing Back on Eligibility Requirements
- The Good News: Education is Beginning to Work

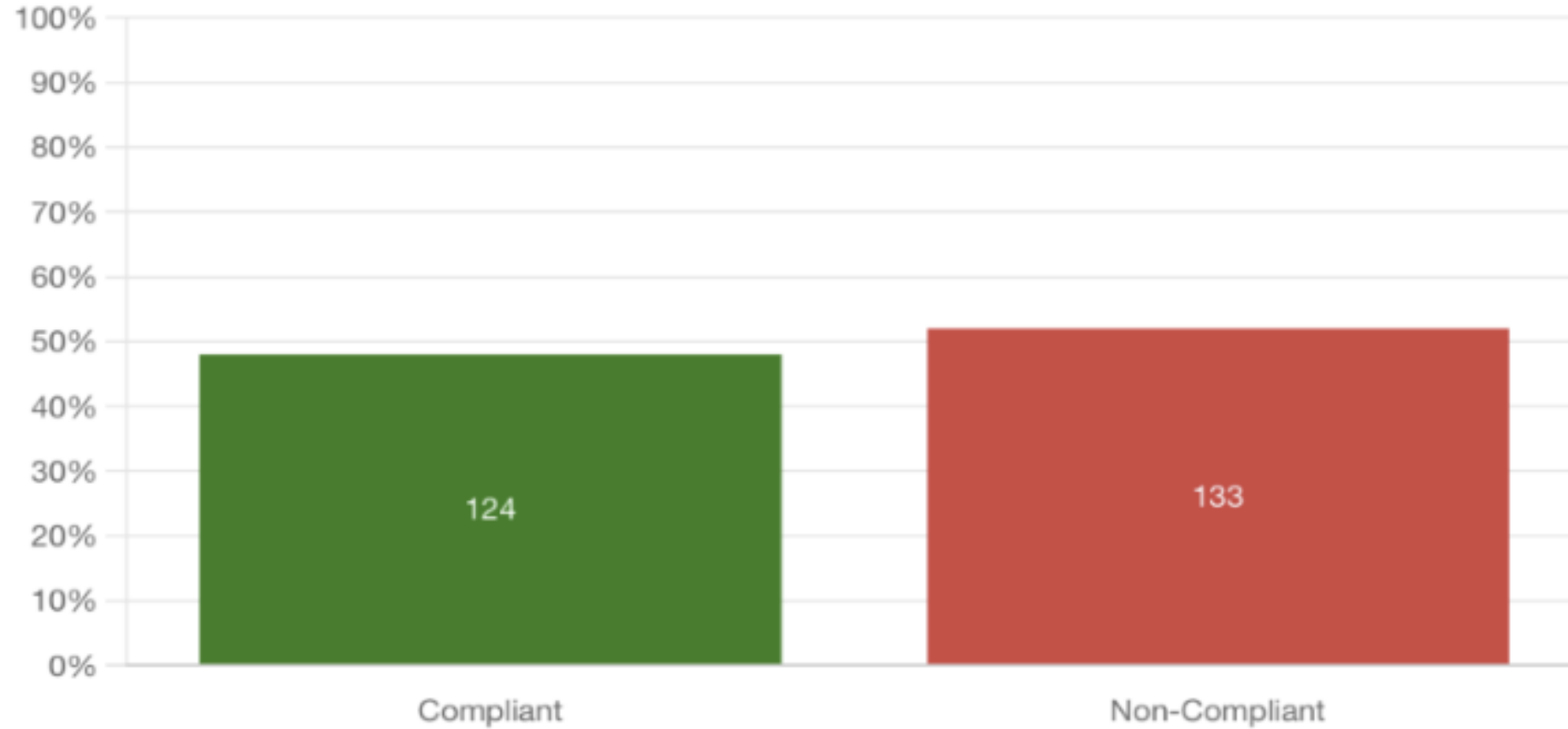


Non Compliance Characteristics Rolling 30 Days



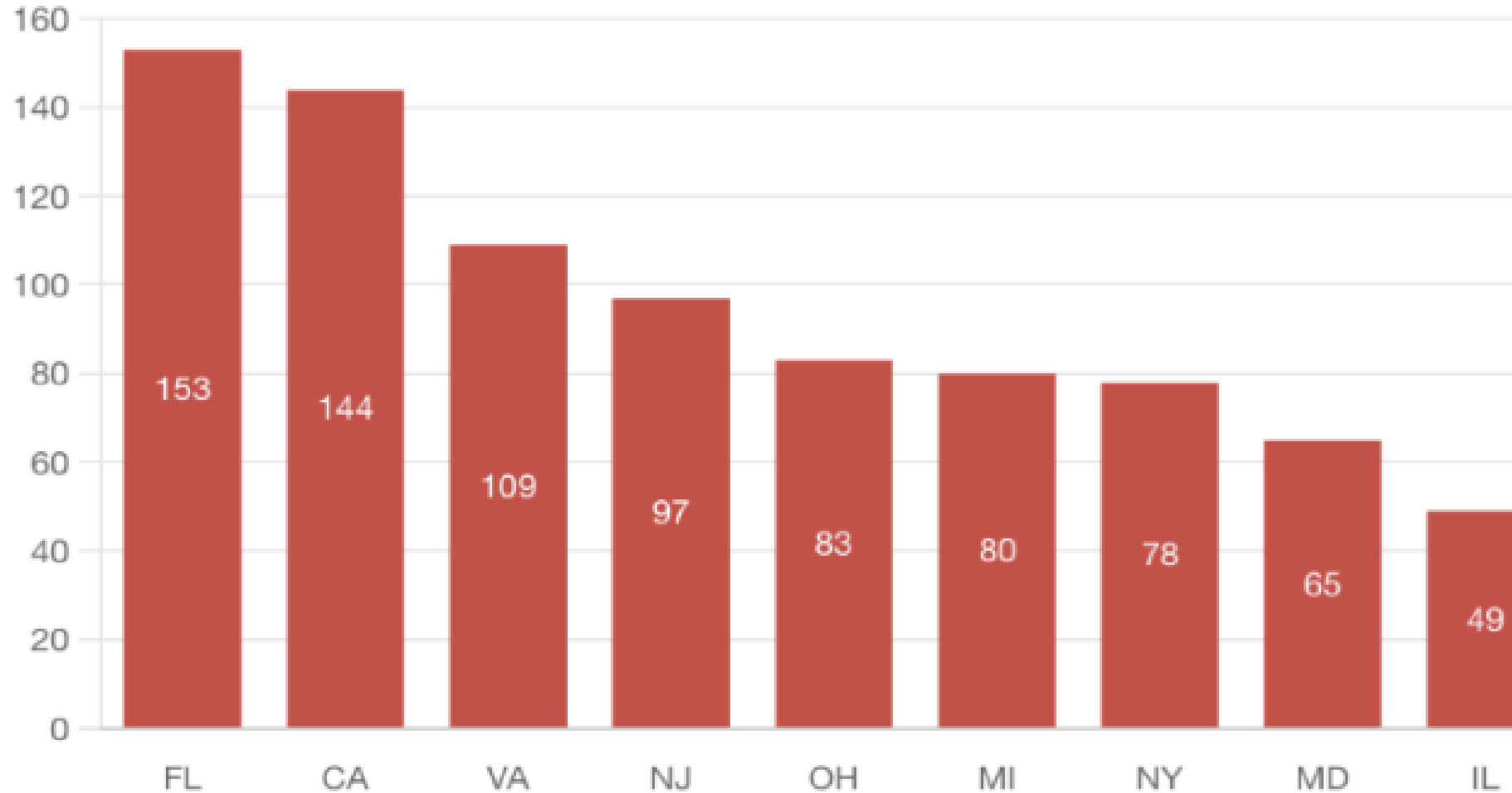


Compliance vs. Non Compliance (Rolling 30 Days)





Top 10 Projects Added by State (Rolling 30 days)



Fannie Mae and Freddie Mac Condo

Lending Project Eligibility

- Insurance Costs Have Surged
 - *30-300% Increases*
- Non-Compliant Insurance Policies Are The **#1 Reason** for "Unavailable for Lending" Designation
- 5% Maximum Deductible
- Sufficiency of Coverage
 - *Limit Must Meet 100% of Estimated Replacement Cost*
- Actual Cash Value Not Allowed
- Building Ordinance and Law Required
- Inflation Guard Required
 - *When Available*



Fannie Mae and Freddie Mac Condo

Lending Project Eligibility

- Fannie Mae Portal for Boards and Managers
- Fannie Mae PERS Applications for Established Projects on the Rise
- Comment Section in Fannie CPM becoming more Robust
- Freddie Mac Launches Certified/Not Certified
- Projects Becoming Eligible Once Corrective Measures Implemented
- Media Coverage is Alarmist in Nature



Recent Industry Condo Eligibility News



- Wall St Journal
- New York Post
- Tampa Bay Times

THE WALL STREET JOURNAL.
WSJ

**NEW
YORK
POST**

Project Documents

Questionnaires, Budgets, Balance Sheets, Insurance

- Condo Questionnaires
- Most Recent Operating Budget
- Reserve Contribution
- Balance Sheet
- Insurance Certification/Declaration Page
 - Complete with all endorsements
 - Addendum page beginning to be added
- Require Complete Engineering Reports
- Require Complete Reserve Studies
- Reserve study Dated within 36 Months



Non-QM and Non-Warrantable



- Requires Lower LTV
- Higher Rates
- Dependent on Ineligibility Lending May Still Be Unavailable
 - Major Critical Repairs
 - Litigation
 - Health and Safety Issues

Condo Loan Origination

Compliance First

Successful condo lending origination used to be dependent on providing great service, great rates and fast closings. While that remains important, Originators must utilize the tools available to them to try and determine condo eligibility by following a few simple rules:

- Confirm Mortgage Availability through Fannie Mae and Freddie Mac
- Ask Questions About Critical Repairs, Violations, Reserves and Insurance
- Identify Property Manager, Listing Agent, Sales Agent and Condo Board Contacts
- Launch Document Collection Early
- Longer Term Rate Locks May Be Pragmatic
- Communicate Eligibility Issues with Borrowers Early
- Price Non-Warrantable/Non QM Options...Just in Case

Condo Loan Processing

Data Validity

- Immediate Document Order
 - Upon Intent to Proceed
- Request for Complete Engineering and Reserve Study Reports
- Expect Unanswered Questions on Condo Questionnaires
- Expect Incomplete Insurance Certificates
- Expect Partial Reserve Study Reports
- Violation and Title Review May Impact Eligibility
- Appraisals May Contain Eligibility Red Flags

Condo Loan Commitment and Closing

- Re-check Project Availability through LPA and CPM
- Include Continued Eligibility Language on Loan Commitment
- Ensure No New Violations or Litigation Have Arisen
- H06 Policy Review
- Check Non-QM and Non-Warrantable...Just In Case

Best Practices For Condo Boards

- Get Informed: Determine if Your Property Is Compliant With Agency Lending Requirements
- Get a Reserve Study Performed
- Update Your Previous Reserve Study If It's More Than 3-Years Old
- Complete Any And All Critical Repairs
- Align Your Insurance Policy
- **Review Your Condo Questionnaire For Accuracy!!!**
- Remove Violations
- Create a Plan For Long-Term Compliance



Condo Project Incubator

Future Compliance and Opportunity

Compliance with lending guidelines can sometimes be achieved overnight and sometimes it can take years for a condo property to either complete critical repairs, reconcile litigation or amass appropriate reserve capital to trigger compliance.

- Approach Property Managers and Condo Boards
- Outline Compliance Challenges
- Be Part of the Solution
- Determine Alternate Financing Channels During Eligibility Creation
- Lending Compliance Report Can Be Extremely Helpful



Orest is the President of the Condominium and Cooperative Review division at CondoTek and the owner of Strategic Inspections, a national Reserve Study provider. Orest's name is synonymous with condo and co-op lending compliance, lending risk mitigation and Reserve Study policy.

Orest has led national lending risk and compliance symposiums and regularly provides guidance on condo and co-op lending trends to over 75,000 industry professionals in the banking, law, and real estate fields.

Recently Orest has been actively engaged in working with established condominium and cooperative communities providing lending analysis, project review and approval services. Guiding communities to financial, agency and bank lending compliance through Condotek's Lending Compliance Report product and Strategic Inspections' bespoke Reserve Study products has been incredibly rewarding as it helped helped to achieve mortgage compliance for hundreds of condo and co-op properties.



Lisa Geloso is CondoTek's head of product review and customer success. Lisa has been in leadership positions for over 30 years in mortgage operations and business development, with a focus on condo and co-op lending. With Lisa's expertise, Lisa is helping CondoTek become a leader in the condo and co-op lending industry with a focus on quality reviews and process efficiency.



Daniel Cerulo has 15 years of experience working in the condominium and cooperative mortgage compliance field. He has consulted on thousands of projects ranging from small 2 - 4 unit buildings to sprawling mixed-use projects, helping to secure warrantable and non-warrantable lending solutions.

He has lectured to the NY State Bar Association regarding Fannie Mae and Freddie Mac guidelines as well as guidance on reserve study review. He currently oversees compliance and risk policy for CondoTek's CPW project warranty product for lenders and associations. He obtained his Juris Doctorate from Washington University in St. Louis.

Contact Us With Questions. We're Here to Help!

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CondoTek Services



Lender solution for project data collection. There are many components to condominium lending. CondoPak is your solution for an efficient, streamlined, and stress-free process.



The ultimate review solution that combines CondoPak and CondoTek lender review at a standardized flat rate. With a simple order process and quick completion.



Provides the tools that property managers and boards need to determine whether a condo/co-op property is compliant with the most recent mortgage lending guidelines.



Portfolio, Fannie Mae, Freddie Mac and FHA Approval

CondoTek offers a complete solution for board members, managers and developers to review, align and approve condo and co-op properties for agency or portfolio lending.

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