



Condominium Requirements – Guides and Fact Sheet



All condominium transactions must have a completed Homeowners' Association (HOA) Certification and a valid project approval. The HOA certification may not be greater than 90-days old at the time of funding.

All condominium projects must meet the following requirements: (Note that FN and ICF require full 10% reserves.)

LTV's and/or Condo Presale Requirements*	HOA Reserve Requirements
Condo's less than 90% closed and sold	≥ 10% of the annual budget
> 80%	≥ 10% of the annual budget
80% to 70%	≥ 5% of the annual budget
< 70%	No reserve accounts required

*Excluding Foreign Nationals.

- The sustainability, marketability and financial stability of the project must be supported.
- The project must be located in an area where acceptability of condominium ownership is demonstrated.
- The project must be in compliance with all applicable state or local laws. The homeowners' association must be incorporated in the state in which the project is located.
- Condo projects must have acceptable insurance coverage. No co-insurance and 100% replacement. If in a flood zone, we will NOT make exception to not having master flood policy
- All common areas and amenities within the project or subject phase must be complete.
- Subject unit must have at least 450 square feet of living space.
- HOA Delinquency (maximum): 15% of the units; and
- Annual Budget Dollar Delinquency (maximum): 10%
- No single entity, the same individual, investor group, partnership, or corporation may own more than 20% of the total units in the project. In the case of a project that has fewer than ten units, no single entity may own more than one (1) unit. We make very few exceptions to this. We might consider 11-12% if LTV isn't max. We will need details of loan with the questionnaire.
- Investor Concentration (maximum): 100%
- Projects with pending or threatened litigation are typically ineligible. Litigation may be acceptable if it is determined to be minor and immaterial. Details of the litigation must be submitted with project review documentation to determine acceptability. An environmental hazard assessment is required for condo projects if an environmental problem is identified by the originator or loan purchaser through performance of its project underwriting or due diligence. The solution to the problem must be deemed acceptable by Angel Oak. Any litigation involving construction defects or potential leaks in building will not be considered. You do not need to send these for review, just deny.
- The project must be located on one contiguous parcel of land. The project may be divided by a public street.
- The structures within the project must be within a reasonable distance from each other. Common elements and facilities, such as recreational facilities and parking, must be consistent with the nature of the project and competitive in the marketplace.
- All programs are limited to a maximum number of units purchased by loan purchaser within one project of 20% or 20 loans, whichever is less.

Condominium Conversions

A condominium conversion is the conversion of an existing building to a condominium project. Project conversions legally created in the past three years are not allowed.

Condominium Insurance

Earthquake Insurance Analysis, FHLMC Form 465S, must be completed when subject property is located in California. Earthquake insurance is required for projects located in “moderate” or “high” risk zip codes. Obtain a copy of the Site-Specific Earthquake Risk Analysis (SSERA) from the condominium project association.

Ineligible Projects

- Projects comprised of manufactured homes
- Projects that restrict the owner’s ability to occupy the unit
- Projects with mandatory rental pooling agreements that require unit owners to either rent their units or give a management firm control over unit occupancy
- Projects with non-incidental business operations owned or operated by the homeowners’ association (such as a restaurant, spa, health club, etc.)
- Common interest apartments
- Timeshare or segmented ownership projects
- Multi-unit dwelling condos that permit an owner to hold title to more than one dwelling unit, with ownership of all of his or her owned units evidenced by a single deed and financed by a single mortgage.
- No co-insurance

New Condominium Projects

- 90% Sold and Closed: No restrictions
- Foreign Nationals and Investor Cash Flow borrowers must meet this requirement
- <25% Sold and Closed: Not eligible
- ≥ 25% - 89% Sold and Closed: Maximum concentration for Angel Oak is 5% and maximum LTV is reduce by 10%

Site Condominiums

Projects consisting of single-family detached dwellings (also known as site condominiums) are acceptable provided the appraisal supports market acceptance of site condominiums in the subject’s market area.

- SFD or Condo appraisal forms are acceptable

Unacceptable Condo Issues

- Litigation – NO construction issue! If minor slip and fall a letter from an attorney required saying insurance is covering and no current safety concern
- 20% > max owned by 1 entity

****Non-Warrantable Condos - please contact your AE for specific parameters**



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