

Ineligible Characteristic Standards for Condos

Ineligible Condominium Project Characteristics

Condominium projects that exhibit any of the following characteristics are ineligible for origination:

Investment Securities

- Project documents are on file with the Securities and Exchange Commission
- Unit ownership is characterized as an investment security

Legal/Financial

- Project is legal, but does not conform to current zoning requirements and if damaged or destroyed cannot be rebuilt to replicate current design (e.g., cannot be rebuilt to current density)
- Project is in dispute either by litigation, arbitration or mediation where the reason involves the safety, structural soundness or habitability of the project
- Owners are permitted to hold title to more than one dwelling unit with ownership of all his or her units evidenced by a single deed and mortgage
- New projects where the sale/financing structures is in excess of market norms. These excessive structures include, but are not limited to, builder/developer contributions, sales concessions, HOA or principal and interest payment abatements, and/or contributions not disclosed on the HUD-1 Settlement Statement
- Projects 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

Ownership

- Projects where a single entity (the same individual, investor group, partnership, or corporation) owns more than 10% of the total units in the project
- Common Interest Apartments where a building is owned by several owners as tenants in common or by a homeowners association where an owner has exclusive rights to a single unit

Rental Agreements

- Unit owners participate in rental-pooling, rental programs or other agreements, mandatory or voluntary, that restrict the unit owner's ability to occupy their unit on either a seasonal, monthly, weekly or daily basis, including but not limited to blackout dates, continuous occupancy limitations and other such use restrictions
- Rental agreements or rental programs exist between the developer (or an entity that is the successor to the developer), and/or the Homeowners' Association (HOA) and individual unit owners
- Recreational facilities are leased

Mixed or Commercial Use

- Must not be part of an overall mixed-use project with multiple classes of unit owners and with a commercial entity as the manager over the entire project
- Projects with non-incidental business operations owned or operated by the homeowners' association such as, but not limited to, a restaurant, a spa, a health club, etc.
- A project in which more than 20% of the total square footage of the project is used for non-residential purposes
- A project in which more than 20% of the total income is from sources other than dues and assessments

Property Types

- A houseboat project
- Manufactured housing
- Project is a Continuing Care Retirement Community
- Units are subject to timeshare or fractional ownership

Hotel/Condotel

- Project is managed and operated as a commercial hotel, even if the units are owned individually
- Projects that restrict the owner's ability to occupy the unit
- Project legal documents refer to "condominium hotel" or "condotel" (if the project name includes the name of a "branded" hotel, this is an indication that the project is likely a condotel)
- Hotel type operations including but not limited to:
 - Access to individual units is controlled through a centralized key system
 - There are restrictions on interior decorating or furnishings, or the units are sold "fully furnished," or the purchasers must choose from a list of "approved" furniture, floor and wall coverings for the units
 - Units have interior doors that adjoin other units
 - Units contain lockable storage closets, cabinets, safes or mini-bars
 - Room service or food and beverage services are available to unit owners
 - Signage is present indicating whether there are vacancies
 - On-site hotel-type registration services supporting daily rentals
 - A central telephone system
 - Daily unit-cleaning service
 - Units in the project do not contain full-sized kitchen appliances
 - Franchise agreements
 - Owner-occupancy density where the project may have few or even no owner occupants
- Revenue-sharing agreements allow the unit owners to receive either
 - a share of the net rental income applicable to the individual owner's unit, or
 - a share of the income from the net aggregate income produced from the rental of the units in the project or rental pool (or other commercial activities of the project)