CONDO WARRANTABILITY 101

Helping you close more deals with fewer surprises

This is not a full guideline list, but rather a heads-up on common issues that can delay or kill a deal. You're not "approving" a building, rather bringing us early intel so we can proactively navigate together and avoid last-minute issues.

START WITH THE RIGHT INFO

- Provide: Legal project name, full address, and total unit count
- Find the most reliable contact (often a long-standing board member, not a 3rd-party doc company)
- Send info to your loan officer early, even if just the condo questionnaire or insurance cert

Tip: We can check our system for agency flags or prior Fairway reviews on the building

DEFERRED MAINTENANCE AND STRUCTURAL ISSUES (TOP DEAL KILLERS)

Critical repairs are major red flags for lenders. Look for clues in:

- 22.1 disclosures
- Budget line items
- HOA meeting minutes
- Physical condition during showings

HERE ARE SOME TOP REPAIR ISSUES

- Has there been a 3rd-party inspection or reserve study in the last 3 years?
- Any mention of:
  - Water intrusion, mold, or rust
  - Balcony, facade, or deck repairs
  - Roof, foundation, or structural concerns
  - Boiler, building HVAC, elevator, or fire safety issues
- **Special Assessments?** Know the purpose, status, total cost, how it's being paid, and when repairs will be completed.

If something was repaired, we'll need documentation showing it's fully resolved.

MASTER INSURANCE AND FLOOD COVERAGE (COMMON ISSUES)

Must Haves:

- Coverage = Equal to the full insurable value (100% TIV)
- Claims paid out on replacement cost basis (Actual Cash Value is acceptable on roof surfaces only)
- Covers all perils (incl. wind/hail)
- Max deductible = 5%
  - Per unit deductibles have different requirements/guidelines
- Flood insurance if any part of the property is in a flood zone

AVOID

- Actual Cash Value (ACV) policies
  - ACV is acceptable only for roof surfaces
- Per-unit deductibles may be acceptable under specific circumstances
- Coverage caps below building value
- Key exclusions like water damage

OTHER NOTES

- 20+ units = fidelity insurance required
- Centralized/boiler system for HVAC? Must be fully covered
- Upcoming renewals must be re-reviewed

OTHER WARRANTABILITY CHECKS

Lenders will also ask:

- Is 15% of the yearly HOA income going to reserves (starting Jan. 2027)?
- Are 15%+ of units delinquent (60+ days on regular HOA dues and any SA payments)?
- Is there any active litigation?
- Does one entity own 25%+ (if 21+ units)? Or more than 2 units in a 5–20-unit project?
- Does the building have more than 35% commercial space?

FOR SMALL PROJECTS (2–10 UNITS)

Much easier! If not part of a Master Association, then only master insurance is required. No need for a fine-toothed comb, such as a questionnaire, reserve review, or budget. As with all buildings, be aware of any pending critical repairs.

WHAT YOU CAN ASK LISTING AGENTS

Save everyone's time by asking early:

- Any inspections or reserve studies in the last 3 years?
  - → If yes: Can I get the full report?
- Any special assessments?
  - → Purpose, status, balance, and expected payoff?

WE'RE HERE TO HELP

Send early info to your loan officer so we can stay ahead of this. We want to help you educate your buyers, move faster, and avoid deal-breakers. Condo deals are doable! We just need the right info at the right time.

Note: Condo product guidelines can change at any time.

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