

XII, 102: Ineligible Projects (06/29/07)

We will not purchase or securitize mortgages that are secured by units in certain types of PUD, condominium, or cooperative projects, regardless of the characteristics of the unit mortgage. Ineligible projects include the following:

- condominium or cooperative hotels — Any project that is managed and operated as a hotel or motel, even though the units are owned individually. Fannie Mae considers projects with any of the following characteristics to be hotel-type projects and therefore, ineligible:
 - projects that include registration services and offer rentals of units on a daily basis;
 - projects with names that include the words “hotel” or “motel”;
 - projects that restrict the owner’s ability to occupy the unit; and
 - projects with mandatory rental pooling agreements that require the unit owners to either rent their units or to give a management firm control over the occupancy of the units. These formal agreements between the developer, homeowner’s association, and/or the individual unit owners, obligate the unit owner to rent the property on a seasonal, monthly, weekly, or daily basis. In many cases, the agreements include blackout dates, continuous occupancy limitations, and other such use restrictions. In return, the unit owner receives a share of the revenue generated from the rental of the unit. See *Section 102.01* for additional guidance when making the distinction between non-residential condominium or cooperative hotel-type projects that are ineligible and “second home” residential projects in resort locations.
- projects with non-incidentual business operations owned or operated by the owners’ association such as, but not limited to, a restaurant, spa, health club, etc.
- investment securities – projects that have documents on file with the Securities and Exchange Commission, or projects where unit ownership is characterized or promoted as an investment opportunity.
- common interest apartments or community apartment projects - any project or building that is owned by several owners as tenants-in-common or by a homeowners association in which individuals have an undivided interest in a residential apartment building and land, and have the right of exclusive occupancy of a specific apartment in the building.
- timeshare or segmented ownership projects.
- houseboat projects.
- multi-dwelling unit condominiums or cooperatives—projects that permit an owner to hold title (or stock ownership and the accompanying occupancy rights) to more than one dwelling unit, with ownership of all of his or her owned units (or shares) evidenced by a single deed and financed by a single mortgage (or share loan).
- condominium or cooperative projects that represent a legal, but non-conforming, use of the land, if zoning regulations prohibit rebuilding the improvements to current density in the event of their partial or full destruction.
- a tax-sheltered syndicate’s leasing to a cooperative or “leasing” cooperatives—projects that

involve the leasing of the land and the improvements to the cooperative corporation, even if the cooperative corporation owns part of the building.

- cooperative projects that are subject to leasehold estates.
- limited equity cooperatives—projects in which the cooperative corporation places a limit on the amount of return that can be received when stock or shares are sold.
- cooperative projects with units that are subject to resale restrictions or located on land owned by community land trusts.
- cooperative projects in which the developer or sponsor has an ownership interest (or other rights in the project real estate or facilities), other than the interest or rights it has in relation to unsold units.
- any project for which the owner's association or cooperative corporation is named as a party to current litigation or, for any project that has not been turned over to the association or corporation, for which the project sponsor or developer is named as a party to current litigation that relates to the project. (If the lender is aware of pending litigation, it must contact the applicable Fannie Mae project standards office to determine whether we will accept delivery of mortgages secured by units in the project.)