

CONDO CRITICAL ISSUES CHEAT SHEET

Projects in need of critical repairs significantly impact safety, structural integrity, habitability, financial viability, and marketability of the building or project. These repairs address key issues like:

- ✓ Material deficiencies
- ✓ Mold, water intrusions, or damaging leaks
- ✓ Advanced physical deterioration
- ✓ Failure to meet mandatory inspections or certifications
- ✓ Unfunded repairs exceeding \$10,000 per unit

Examples of critical repair items include, but are not limited to:

- ✓ Sea walls
- ✓ Elevators
- ✓ Waterproofing
- ✓ Stairwells
- ✓ Balconies
- ✓ Foundations
- ✓ Electrical systems
- ✓ Parking structures
- ✓ Other load-bearing structures



Specific criteria for critical repairs could be

- ✓ Structural Issues,
- ✓ Health and Safety Concerns,
- ✓ Code Violations,
- ✓ Environmental Hazards, and
- ✓ Major Systems Repairs.

*** If damage or deferred maintenance is isolated to one or a few units and does not affect the overall safety, soundness, structural integrity, or habitability of the project, then these requirements do not apply. ***

EXCLUSION OF CERTAIN REPAIRS

- Routine repairs (preventative or part of normal capital replacements) are not critical.
- Isolated damage to a few units, not impacting overall safety or habitability, isn't critical.

SPECIAL ASSESSMENTS

Lenders must assess special assessments to determine if they address critical repairs. Key information includes

- the purpose,
- approval status,
- original and remaining amounts,
- and the expected date for the special assessment to be paid in full.

If a special assessment is tied to a critical repair and not remedied, the **project is deemed ineligible**.

INSPECTION REPORTS

- Inspectors review reports within three years of the lender's review date.
- Reports confirm the absence of critical repairs, evacuation orders, or required regulatory actions.
- If critical repairs are identified, the project remains ineligible until completed and documented through an engineer's report or similar documentation.

DOCUMENTATION

Lenders should review multiple documents for compliance with physical condition requirements, such as :

- HOA board meeting minutes,
- engineer reports,
- inspections,
- reserve studies,
- repair lists,
- special assessments, and
- similar records.



*** Lenders are responsible for ensuring compliance with Fannie Mae's physical condition requirements by thoroughly reviewing the provided documentation and taking appropriate actions. ***



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