

CondoLend

South Florida Condominium Assessment
Investment Memorandum

Comprehensive Analysis of 2400 Condo Buildings
Across Miami-Dade, Broward & Palm Beach Counties

Version 2 — 2026 Edition

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Table of Contents

Executive Summary

Executive Summary Market, Product & Returns Overview

Part I: The Crisis & The Solution

| | |
|-------------------|--|
| Chapter 1 | The Post-Surfside Reality |
| Chapter 2 | Understanding SB 4-D, Milestone Inspections & SIRS |
| Chapter 3 | The Assessment Crisis |
| Chapter 4 | Traditional Funding Options & Their Limitations |
| Chapter 5 | The CondoLend Solution |
| Chapter 6 | How It Works |
| Case Study | Illustrative Case Study: Before & After Financing |

Part II: The Investment Thesis

| | |
|--------------------|---|
| Chapter 7 | Market Opportunity |
| Chapter 8 | The Collateral Framework |
| Chapter 9 | Risk Analysis |
| Chapter 10 | Financial Projections & Returns |
| Chapter 11 | Regulatory Tailwinds |
| Chapter 11B | Regulatory Durability & Political Risk Assessment |
| Chapter 12 | Getting Started with CondoLend |

Appendices

| | |
|-------------------|----------------------------|
| Appendix A | Data Sources & Methodology |
|-------------------|----------------------------|

Executive Summary

The Market in 90 Seconds

Regulatory Catalyst: Surfside Collapse

June 24, 2021: Champlain Towers South collapse, Surfside, FL
98 deaths | Immediate legislative response via Senate Bill 4-D

- **2,400 condo buildings** (3+ stories) in Miami-Dade, Broward, and Palm Beach counties
- **~77%** (1,857 buildings) are 30+ years old, subject to mandatory milestone structural inspections
- **Reserve waivers eliminated January 1, 2026** - associations can no longer defer funding obligations
- **Estimated \$10-48B total capital need** across tri-county area:
 - Conservative scenario: \$10-15B
 - Base case: \$21B
 - Severe deterioration: \$35-48B
- **\$21B base case** across approximately 352,729 units requiring assessment financing
- **Individual assessments: \$25,000-\$400,000 per unit**, average ~\$71,586
- **No institutional lender currently addresses this market** - existing solutions limited to high-cost unsecured consumer lending or fragmented local banks
- **Mandatory, time-bound, statutory demand** - not cyclical or discretionary spending

Market Characteristics

Non-Cyclical: Compliance-driven demand with fixed deadlines

Concentrated Geography: 70%+ of addressable market within 50-mile radius

Regulatory Moat: SB 4-D creates structural, recurring demand; 8+ states considering similar legislation

The Product in 90 Seconds

CondoLend Assessment Financing

Commons-Secured Lending: Collateralized by association's interest in common elements and underlying land, not individual unit mortgages

- **Assessment receivables as primary cash flow source** – statutory lien with super-priority over first mortgages
 - 12-month super-lien per Florida Statute 718.116
 - Association lien takes priority over institutional mortgages for delinquent assessments
- **18% statutory interest rate on delinquent assessments** creates strong owner payment incentive and penalties for non-compliance
- **Typical loan structure:**
 - Loan size: \$5-15M per building
 - Interest rate: 7-9% fixed
 - Term: 10-15 years, fully amortizing
 - Target buildings: 50+ units, 3+ stories, completed milestone inspection
- **Lockbox payment structure** with debt service sweep before funds released to association for construction
- **Debt service reserve: 6-12 months** funded at closing from loan proceeds
- **Construction draws against verified milestones** with independent third-party inspection and engineer certification
- **Historical assessment collection rates: 93-98%** in normal market conditions across Florida condo associations
- **Underwriting criteria:**
 - Building age: 30+ years (SB 4-D mandate)
 - Milestone inspection completed or in progress
 - Minimum 50 units (diversification threshold)
 - Association financial review: 24-month operating history, reserves, delinquency trends
 - Title review: Clear common element ownership, no prior encumbrances

Collateral Structure

First Priority Lien: Association's interest in common elements and land

Super-Priority Receivables: 12 months of delinquent assessments ahead of unit mortgages

Statutory Collection Rights: Foreclosure, estoppel fees, and 18% interest penalties

Returns & Risk Summary

| RETURN COMPONENT | RANGE | NOTES |
|--------------------------------|-----------|---|
| Net Investor Yield | 6.9-7.8% | After servicing and loss provisions |
| Portfolio IRR (including fees) | 8.0-10.0% | Includes origination and servicing income |
| Origination Fee Income | 1.0-2.0% | Upfront fee per loan closing |
| Loan-to-Value (LTV) | 15-50% | Based on land + improvements appraisal |

Risk Metrics & Stress Testing

- **Stress scenario: 30% owner default rate / 50% recovery**
 - Portfolio collection rate: ~85%
 - Estimated cumulative principal losses: 0-3%
 - Net investor yield remains positive at 4.5-5.5%
- **Break-even delinquency rate: ~38%**
 - Historical worst-case delinquency: ~20% (2009-2011 financial crisis)
 - 330bps of headroom above crisis levels
- **Diversification at portfolio scale:**
 - Target portfolio: 20-50 buildings
 - 4,000-15,000 individual unit owner obligors
 - Geographic concentration: Miami-Dade (40%), Broward (35%), Palm Beach (25%)
 - Vintage diversification: 1960s (20%), 1970s (35%), 1980s (30%), 1990s (15%)
- **Loan-to-value protection:**
 - Average LTV: 25-35% on land + improvements basis
 - Appraisal-based collateral coverage: 2-4x debt outstanding
 - Common elements include land, structure, parking, amenities

Comparative Yield Analysis

350-550 basis points premium over investment-grade corporate bonds (BBB/Baa rated)

Statutory collateral protections: Super-priority lien, 18% delinquency penalties, foreclosure rights

Comparable risk profile: CLO BB/B tranches, infrastructure debt, specialty finance ABS

Market Opportunity & Regulatory Moat

- **SB 4-D creates non-discretionary, recurring demand** - milestone inspections required every 10 years for buildings 30+ years old
- **Wave 1 (2024-2026): Initial compliance** - buildings reaching 30-year threshold
- **Wave 2 (2027-2030): Second-cycle inspections** - buildings inspected in 1990s now requiring re-inspection
- **8+ states considering similar legislation** - potential national market expansion:
 - California, New York, New Jersey, Massachusetts, Hawaii, Texas, Georgia, North Carolina
- **Institutional competition: minimal** - banks view as non-scalable, consumer lenders lack secured collateral expertise
- **First-mover advantage in underwriting, legal templates, and servicer relationships**

Investment Thesis Summary

Statutory demand + Super-priority collateral + No institutional competition = Asymmetric risk/return opportunity at 350-550bps premium to IG corporates with structural downside protection.

Chapter 1: The Post-Surfside Reality

June 24, 2021: The Day Everything Changed

At 1:22 a.m. on June 24, 2021, Champlain Towers South, a twelve-story oceanfront condominium in Surfside, Florida, partially collapsed without warning. Within seconds, 55 of the building's 136 units were reduced to rubble. Rescue teams worked for weeks in the debris. When the search concluded, 98 people had lost their lives, making it the deadliest structural failure in the United States since the 1981 Hyatt Regency walkway collapse in Kansas City.

The building was 40 years old. It had been built in 1981, and by the time of its collapse, engineers had been warning the board for years about deteriorating concrete and corroding rebar in the parking structure and pool deck. A 2018 engineering report by Morabito Consultants identified "major structural damage" and estimated repairs at roughly \$9 million. The board deferred. Assessments were discussed, debated, delayed. By the time a \$15 million special assessment was finally approved in April 2021, it was too late.

The Immediate Aftermath

In the weeks following the collapse, local governments across South Florida launched emergency inspections of aging condominium buildings. Miami-Dade County alone identified dozens of buildings with serious structural deficiencies. Several were evacuated immediately:

- **Crestview Towers**, a 156-unit building in North Miami Beach, was evacuated on July 2, 2021 after inspectors found the building to be structurally and electrically unsafe. Residents had 24 hours to leave.
- **Port Royale** in North Miami Beach identified significant concrete deterioration during its 40-year recertification.
- Multiple buildings in Miami Beach, Hollywood, and Hallandale Beach received violation notices for overdue structural recertifications.

The Surfside tragedy exposed a systemic problem that building officials, engineers, and informed board members had long understood but lacked the political will to address: South Florida's condominium stock was aging rapidly, maintenance had been chronically underfunded, and the existing regulatory framework was grossly inadequate to protect public safety.

The Legislative Response

The Florida legislature acted with unusual speed. In May 2022, Governor DeSantis signed Senate Bill 4-D into law, establishing the most sweeping condominium safety requirements in the state's history. The legislation created two new mandates that would reshape the financial landscape of condo ownership in Florida:

1. **Milestone Inspections:** Mandatory structural inspections for all condominium buildings three stories or taller, beginning at 30 years of age (or 25 years if the building is within three miles of the coastline).
2. **Structural Integrity Reserve Studies (SIRS):** Comprehensive reserve studies that must be fully funded, with the longstanding practice of waiving reserve contributions by owner vote eliminated effective January 1, 2026.

These requirements, detailed in Chapter 2, would generate billions of dollars in mandatory repair and reserve obligations across thousands of buildings in the tri-county area.

The Human Cost

Beyond the 98 lives lost in Surfside, the aftermath created a cascading financial and human crisis. Thousands of residents in buildings with newly identified structural deficiencies faced impossible choices. Elderly owners on fixed incomes, who had purchased their units decades earlier expecting modest monthly fees, were suddenly confronted with six-figure special assessments. Some owners simply could not pay. Others were forced to sell at steep discounts, as prospective buyers and their lenders shied away from buildings with known structural issues.

For many, the condominium that represented their life savings and their retirement security became an albatross: unsellable, uninsurable, and burdened with obligations they could not meet.

Why South Florida Is Ground Zero

South Florida's condominium crisis is not accidental. The region has one of the oldest and densest concentrations of condominium housing in the United States. The condo building boom that began in the 1960s and accelerated through the 1970s and 1980s produced tens of thousands of multi-story concrete structures along the coast, many of them built to the minimum standards of their era and now exposed to decades of salt air, humidity, and hurricane-force weather events.

By the Numbers: Across Miami-Dade, Broward, and Palm Beach counties, our analysis identifies **2400** condominium buildings encompassing **352729** individual units. Of these, **1857** buildings, or **77.4%**, are more than 30 years old and now subject to mandatory milestone inspections under SB 4-D.

The scale of the problem, the mandatory nature of the new requirements, and the limited financial capacity of many associations create both a profound challenge and a significant market opportunity. Understanding this landscape is essential for board leaders who must navigate the compliance timeline and for investors who recognize that a crisis of this magnitude demands new capital solutions.

This book is designed to serve both audiences.

Chapter 2: Understanding SB 4-D, Milestone Inspections & SIRS

The Statutory Framework

Senate Bill 4-D, codified primarily in amendments to Florida Statutes Sections 553.899 and 718.112, fundamentally altered the obligations of condominium associations and their boards of directors. For decades, Florida law permitted associations to defer reserve funding through a simple majority vote of unit owners at the annual meeting. That era is over. The legislation creates two distinct but interrelated mandates: Milestone Inspections and Structural Integrity Reserve Studies (SIRS). Together, they establish a compliance regime that will force virtually every aging condominium building in Florida to confront its structural condition and financial readiness.

Milestone Inspections: The Structural Mandate

Which Buildings Are Covered

Milestone inspections are required for any building that is three stories or taller and is classified as a condominium or cooperative under Florida law. There are no exemptions based on building size, unit count, or association budget. The triggering factor is the building's age:

- **Buildings within 3 miles of the coastline:** Initial milestone inspection required by the time the building reaches **25 years of age**, measured from the date of the certificate of occupancy.
- **All other buildings:** Initial milestone inspection required at **30 years of age**.
- **Subsequent inspections:** Every 10 years after the initial milestone inspection.

For buildings that had already reached or exceeded these age thresholds when SB 4-D took effect, the statute required compliance by December 31, 2024. The Florida legislature subsequently extended certain deadlines, but the fundamental requirement is not waivable and noncompliant buildings face potential penalties, including restrictions on the sale of units and personal liability for board members.

Phase 1: The Visual Examination

The Phase 1 inspection must be performed by a licensed architect or engineer. It is a visual examination of the building's primary structural systems, including but not limited to:

- Foundation and load-bearing walls
- Primary structural members and primary structural systems
- Floor and roof framing systems
- Fireproofing and fire protection systems
- Plumbing systems
- Electrical systems
- Waterproofing and exterior protection
- Exterior cladding

If the Phase 1 inspection identifies no signs of "substantial structural deterioration," the inspector issues a sealed report attesting to the building's condition, and no further action is required until the next 10-year cycle.

Phase 2: The Deep Dive

If the Phase 1 inspection identifies substantial structural deterioration to any building component or system, a Phase 2 inspection is mandatory. Phase 2 may involve destructive or non-destructive testing, including core sampling, ground-penetrating radar, load testing, and detailed engineering analysis. The Phase 2 report must:

1. Identify the nature and extent of the deterioration
2. Provide a recommended remediation program
3. Estimate the cost of necessary repairs
4. Provide a timeline for completing the remediation

The findings of a Phase 2 inspection trigger a board obligation to act. Under Section 718.113, Florida Statutes, the board must undertake the recommended repairs within a reasonable timeframe, and the failure to do so may constitute a breach of fiduciary duty.

Structural Integrity Reserve Studies (SIRS)

What SIRS Requires

A Structural Integrity Reserve Study is a detailed engineering and financial analysis that determines the remaining useful life and replacement cost of the following building components:

- Roof
- Load-bearing walls or primary structural members
- Floor
- Foundation
- Fireproofing and fire protection systems
- Plumbing
- Electrical systems
- Waterproofing and exterior painting
- Windows and exterior doors
- Any other item with a deferred maintenance expense or replacement cost exceeding \$10,000

Unlike a traditional reserve study, which many associations treated as an aspirational budgeting document, the SIRS must be prepared by a licensed engineer or architect and must calculate the funding necessary to maintain full reserves for each covered component. The association must include the SIRS findings in its annual budget.

The End of Reserve Waivers

Critical Date: Effective **January 1, 2026**, condominium associations may no longer waive or reduce the funding of reserves for any item identified in a SIRS. This single provision eliminates the mechanism that allowed thousands of Florida associations to operate with chronically underfunded reserves for decades.

Prior to SB 4-D, Section 718.112(2)(f) permitted associations to waive or reduce reserve contributions by a majority vote of unit owners present at the annual meeting. In practice, owners routinely voted to waive reserves to keep monthly maintenance fees low. This was perfectly legal, widely practiced, and financially ruinous. Buildings that had been deferring maintenance for 20 or 30 years accumulated enormous backlogs of unfunded repair obligations, a reality that Champlain Towers South exemplified in the most tragic way possible.

What Boards Must Do Now

The compliance timeline is aggressive, and boards that have not yet begun the process are already behind:

1. **Commission a SIRS immediately** if the building has not yet obtained one. Qualified engineers are in high demand across South Florida, and wait times for studies have extended to six months or more in some areas.
2. **Budget for full reserve funding** beginning with the first fiscal year after the SIRS is completed. The board may not present a budget that underfunds the reserves identified in the study, and owners may not vote to waive or reduce the required contributions.
3. **Schedule the milestone inspection** if the building's age triggers the requirement. Boards should engage a qualified engineer early, as inspection demand far outstrips available capacity.
4. **Communicate transparently with owners.** The financial impact of full compliance will be substantial for most associations. Monthly maintenance fees may double or triple. Special assessments may be unavoidable. Boards that fail to communicate early and clearly will face greater resistance and potential litigation.
5. **Explore financing options.** For buildings facing large capital needs, paying for repairs entirely through reserves or lump-sum assessments may be financially devastating to owners. Chapter 5 of this book addresses a structured lending approach specifically designed to address this challenge.

Penalties for Noncompliance

SB 4-D gives teeth to its mandates. Buildings that fail to complete required milestone inspections face potential enforcement actions from local building officials, including orders to vacate. Board members who fail to ensure compliance with SIRS funding requirements may face personal liability for breach of fiduciary duty under Section 718.111(1)(d). Additionally, noncompliant buildings risk being flagged by lenders and insurers, which can effectively make units in those buildings unsellable and uninsurable.

The Fannie Mae and FHA condo project approval processes now specifically inquire about structural inspection compliance and reserve adequacy. Buildings that cannot demonstrate compliance may be ineligible for conventional mortgage financing, a development that can reduce unit values by 20-40% almost overnight.

The Bottom Line

SB 4-D is not a suggestion. It is a statutory mandate backed by enforcement mechanisms, personal liability provisions, and market consequences that make compliance unavoidable. For the thousands of aging condominium buildings across South Florida, the question is not whether to comply but how to pay for it. That question drives the remainder of this book.

Chapter 3: The Assessment Crisis

The Numbers Are Staggering

Across South Florida, condominium boards are delivering special assessment notices that read like mortgage statements. The amounts are not typographical errors. They are the accumulated cost of decades of deferred maintenance, now made mandatory by SB 4-D, compressed into payment timelines that many unit owners simply cannot absorb.

Consider the following real-world examples:

Cricket Club Condominiums, Miami-Dade County

A 462-unit complex built in 1971, the Cricket Club's milestone inspection and subsequent engineering assessment revealed extensive concrete restoration needs, waterproofing failures, and electrical system deficiencies. The board levied a special assessment of approximately **\$134,000 per unit**. For owners who purchased their units for \$150,000-\$250,000 in previous decades, the assessment approached or exceeded the current market value of their homes.

Mediterranean Village, Miami Beach

This luxury oceanfront property faced assessment notices approaching **\$400,000 per unit** to address structural concrete deterioration, facade restoration, and building envelope failures. Even in a building where unit values range into the millions, the assessment represented a devastating financial event for many owners, particularly those who purchased years ago or who are retired.

Crestview Towers, North Miami Beach

Evacuated in July 2021 just days after the Surfside collapse, Crestview Towers' 156 units were deemed structurally and electrically unsafe. Residents were given 24 hours to leave. The estimated cost of repairs exceeded **\$120,000 per unit**. As of this writing, many former residents have still not returned, and the building's future remains uncertain.

Why Are Assessments So High?

The magnitude of these assessments is not the product of extravagant boards or luxury renovations. It is the predictable consequence of a structural economic problem in condominium governance that has compounded over decades:

1. Chronic Reserve Underfunding

Florida law, until SB 4-D, permitted associations to waive reserve contributions by a simple majority vote. The incentive structure was perverse: boards that proposed adequate reserves faced owner rebellion over higher fees, while boards that kept fees artificially low were rewarded with re-election. The result was that most associations maintained reserves at 20-40% of the recommended level, and many operated with effectively zero structural reserves.

2. Deferred Maintenance Compounds Exponentially

A \$500,000 concrete restoration deferred for 10 years does not remain a \$500,000 problem. Salt-air corrosion of reinforcing steel accelerates exponentially once the concrete cover is compromised. What begins as spalling on a balcony edge progresses to structural cracking, rebar section loss, and eventually the kind of progressive collapse that destroyed Champlain Towers South. The \$500,000 repair becomes a \$5 million restoration.

3. Construction Cost Inflation

Post-pandemic construction costs in South Florida have increased 30-50% from 2019 levels. Labor shortages, material cost increases, and the sheer volume of simultaneous repair projects driven by SB 4-D compliance have created a seller's market for engineering firms and general contractors. Buildings competing for the same limited pool of qualified restoration contractors are paying premium prices.

4. Scope Expansion Upon Inspection

It is a consistent pattern in milestone inspections: the Phase 1 visual examination identifies surface issues, the Phase 2 investigation reveals deeper problems, and the repair scope grows substantially from initial estimates. Boards that budgeted \$5 million based on preliminary estimates frequently discover the actual cost is \$8-12 million once invasive testing is completed.

The Scale of the Problem

Tri-County Exposure: Our analysis of property records across Miami-Dade, Broward, and Palm Beach counties identifies **1857** condominium buildings that are 30 years or older, representing **77.4%** of the total building stock. These buildings are now subject to mandatory milestone inspections, and virtually all of them face SIRS reserve funding requirements that will dramatically increase their financial obligations.

Special Assessment Amounts Per Unit



Figure 3.1: Estimated Special Assessment Ranges by Building Age and Condition

The average estimated assessment per unit across the tri-county building stock is **\$71586.0**, though the distribution is wide. Newer buildings with diligent maintenance histories may face assessments under \$10,000 per unit, while older coastal buildings with extensive deferred maintenance regularly exceed \$100,000 per unit.

The Human Impact

Elderly Owners on Fixed Incomes

South Florida's condominium market has long attracted retirees. Many purchased units decades ago at prices that seem quaint by today's standards, a two-bedroom in Hallandale Beach for \$85,000 in 1998, for example. These owners live on Social

Security and modest pensions. A \$60,000 special assessment is not merely inconvenient; it is financially impossible. They cannot borrow against a unit that may now be worth less than the assessment, they cannot sell a unit in a building with a pending six-figure assessment, and they cannot simply absorb the cost from savings they do not have.

The Unsellable Unit

When a building receives a Phase 2 milestone inspection report identifying significant structural deficiencies, the practical effect on unit marketability is immediate and severe. Prospective buyers' lenders will not finance units in buildings with unresolved structural issues. Cash buyers demand steep discounts. Listings languish. Owners who need to sell, whether due to the assessment itself or for other life reasons, find themselves trapped in an asset that has become a liability.

The Insurance Death Spiral

Florida's property insurance crisis intersects with the condo assessment crisis in a particularly destructive way. Insurers have been withdrawing from the Florida market or dramatically increasing premiums, particularly for older buildings. Buildings that cannot demonstrate structural soundness and adequate reserves face policy cancellations or premiums so high that they become an additional financial burden layered on top of the assessment. Without adequate insurance, lenders will not finance unit purchases, further depressing values and trapping existing owners.

Foreclosure and Displacement

When owners cannot pay special assessments, associations have the statutory right to file liens and pursue foreclosure under Section 718.116, Florida Statutes. The association's lien for unpaid assessments enjoys a limited priority over even first mortgage holders. But foreclosure is a blunt instrument that displaces residents, imposes legal costs on the association, and recovers only a fraction of the amounts owed. In buildings where 15-25% of owners cannot pay, the assessment burden shifts to the remaining owners, creating a cascading failure that can destabilize the entire association.

A Crisis Demanding New Solutions

The traditional mechanisms for funding condominium capital improvements, detailed in Chapter 4, were designed for a different era. They assumed voluntary compliance, modest repair needs, and owner populations with the financial capacity to absorb occasional special assessments. None of those assumptions hold in the current environment.

The post-Surfside regulatory framework has created a mandatory, time-bound, multi-billion-dollar capital need across thousands of buildings. Meeting that need requires capital solutions that operate at a different scale and with a different structure than anything the condominium industry has previously employed. The following chapters address how those solutions can work.

Chapter 4: Traditional Funding Options & Their Limitations

The Existing Toolkit

Condominium associations facing major capital expenditures have historically relied on a small set of funding mechanisms. Each has significant limitations, and none is well suited to the scale and urgency of the current crisis. Understanding why these traditional approaches fall short is essential to appreciating the need for a fundamentally different capital solution.

Option 1: HOA Loans from Banks

A limited number of banks and credit unions offer loans directly to condominium associations. These lenders include institutions such as Popular Association Banking, Seacoast Bank, and several regional community banks. On paper, an association-level loan seems like a natural solution: the board borrows on behalf of the association and repays from assessment revenue.

In practice, these loans are difficult to obtain and poorly structured for the current environment:

- **Personal guarantees:** Many lenders require individual board members or a threshold number of unit owners to personally guarantee the loan. Few volunteer directors are willing to assume personal liability for a multi-million-dollar obligation.
- **Short terms:** Most HOA loans carry 5-7 year terms, sometimes with balloon payments. For a building facing \$10 million or more in repairs, a 5-year repayment schedule translates to monthly assessments that are unaffordable for many owners.
- **Conservative underwriting:** Banks evaluate the association's collection history, reserve balances, and delinquency rates. Buildings that need loans most urgently, those with years of deferred maintenance and underfunded reserves, are precisely the ones that fail traditional underwriting criteria.
- **Limited appetite:** The banking industry has not developed meaningful expertise in condominium association lending. Most banks view HOA loans as a niche product with unfamiliar collateral and unfamiliar risks. The total volume of HOA lending nationally is a rounding error in commercial real estate finance.

- **Rate premiums:** Because of the perceived risk and small loan sizes, HOA loans typically carry interest rates 200-400 basis points above comparable commercial real estate loans, often in the 8-12% range even for well-managed associations.

Option 2: Lump-Sum Special Assessments

The most common mechanism for funding major repairs remains the special assessment: the board determines the total cost, divides it among unit owners according to their ownership shares, and requires payment within a specified period. This is the blunt instrument that has produced the \$134,000-per-unit and \$400,000-per-unit scenarios described in Chapter 3.

The problems with lump-sum special assessments are acute:

- **Cash flow mismatch:** Most unit owners do not have \$50,000-\$150,000 in liquid savings. Requiring lump-sum payment within 30-90 days, which many assessments demand, creates an impossible cash flow requirement for the majority of owners.
- **Collection risk:** Even when boards allow installment payments over 12-24 months, a significant percentage of owners, typically 10-25% in buildings with high assessments, will default. The association then faces the cost and delay of lien filings and foreclosure proceedings.
- **Market destruction:** The announcement of a large special assessment immediately depresses unit values in the building. Prospective buyers discount their offers by the full amount of the remaining assessment, and in many cases simply avoid the building entirely. This creates a perverse dynamic where the assessment intended to preserve the building's value actually destroys it in the near term.
- **Political paralysis:** Boards are elected by the owners they must assess. The political dynamics of imposing a financially devastating special assessment on the people who can vote you out of office creates paralysis, delay, and half-measures that ultimately make the problem worse.

Option 3: Reserve Fund Increases

In theory, the preferred approach to funding capital needs is through adequate reserves accumulated over time. Under the new SIRS requirements, associations must now fully fund reserves for structural components. However, for buildings that have operated with minimal reserves for decades, ramping up to full funding creates its own set of problems:

- **Too slow for urgent repairs:** If a milestone inspection identifies structural deficiencies that require immediate remediation, reserve accumulation over 5-10 years is not a viable timeline. The repairs must happen now; the money is needed now.
- **Monthly fee shock:** For a building that has been charging \$400/month in maintenance fees with waived reserves, full SIRS compliance may require fees of \$800-\$1,200/month. This doubling or tripling of monthly costs has the same affordability and marketability impacts as a special assessment, just spread over a longer period.
- **Insufficient for catch-up:** Reserve funding addresses future replacement needs. It does not generate the capital needed for the backlog of deferred maintenance that has already accumulated. A building that needs \$8 million in repairs today cannot fund those repairs from a reserve account that currently holds \$200,000.

Option 4: Individual Home Equity Loans

Some boards encourage owners to fund their assessment obligations individually through home equity lines of credit (HELOCs) or home equity loans. This approach shifts the borrowing burden from the association to individual owners, but it is deeply problematic:

- **Qualification barriers:** Many condo owners, particularly elderly residents and those who purchased at market peaks, do not have sufficient equity or income to qualify for home equity products. The building's structural issues may have already reduced appraised values below the threshold for lending.
- **Lender restrictions:** Fannie Mae, Freddie Mac, and FHA all maintain lists of approved condominium projects. Buildings that are on structural watch lists, have pending litigation, or carry large unfunded assessment obligations are frequently removed from approved lists, making conventional financing unavailable for units in those buildings.
- **Fragmented and uncoordinated:** Each owner borrows at different rates, on different terms, from different lenders, or not at all. The association has no

visibility into whether owners can actually fund their obligations, creating budgeting uncertainty and collection risk.

- **Higher aggregate cost:** Individual consumer borrowing rates are almost always higher than what an association could achieve through a single, larger institutional borrowing facility. The fragmented approach is the most expensive way to finance a collective obligation.

Option 5: FHA and Fannie Mae Considerations

The federal secondary mortgage market has become an unwitting enforcement mechanism for condominium financial health. Both Fannie Mae and FHA have tightened their condominium project approval requirements in the post-Surfside environment:

- Projects with less than 10% of their annual budget allocated to reserves are ineligible for Fannie Mae approval.
- Buildings with significant deferred maintenance or pending special assessments exceeding defined thresholds lose project eligibility.
- Units in ineligible projects cannot be financed with conforming mortgages, effectively limiting the buyer pool to cash purchasers.

This creates a feedback loop: buildings that cannot demonstrate financial health lose access to conventional financing, which reduces unit values, which further impairs the association's financial position, which makes it harder to fund the repairs that would restore eligibility.

The Gap in the Market

None of these traditional mechanisms, singly or in combination, adequately addresses the current crisis. The market needs a lending product that is:

- Available at the **association level**, not requiring individual owner qualification
- Structured with **long enough terms** (10-15 years) to create affordable monthly payments
- Secured by **collateral that the association actually controls**
- Backed by **cash flows with statutory enforcement mechanisms**
- Priced at **institutional rates**, not consumer or small-business premiums
- Scalable across **hundreds or thousands of buildings**

This is precisely the product that CondoLend is designed to provide.

Chapter 5: The CondoLend Solution

A Purpose-Built Capital Structure

CondoLend is not a bank loan repackaged with a new label. It is a lending platform designed from the ground up around the unique legal, financial, and governance characteristics of Florida condominium associations. The structure leverages statutory protections that exist nowhere else in real estate finance, creating a collateral framework that is, in key respects, superior to conventional commercial mortgage lending.

The Core Concept: Commons-Secured Lending

Every condominium in Florida consists of two types of property interests: the individual units, which are owned separately by each unit owner, and the common elements, which are owned collectively by all unit owners as tenants in common. The common elements include the land beneath the building, the structural components (roof, exterior walls, foundation, load-bearing systems), the shared mechanical and electrical systems, and all common areas such as lobbies, hallways, pools, and parking structures.

Under CondoLend's structure, the loan is secured not by individual units but by the association's interest in the common elements and the underlying land. This is a critical distinction:

- **No individual owner qualification required.** The borrower is the association, acting through its board of directors pursuant to a duly adopted resolution. Individual owners do not apply, do not provide personal financial information, and do not personally guarantee the loan.
- **Board-level decision.** Under Section 718.111, Florida Statutes, the board of directors has the authority to enter into contracts and incur obligations on behalf of the association. A properly noticed and conducted board vote authorizing the loan is sufficient. No individual owner consent is required for the association to borrow, though the corresponding special assessment may require membership approval depending on the association's governing documents.
- **Collective collateral.** The common elements, including the land, represent substantial value that is not dependent on the financial condition of any individual owner. Even in a worst-case scenario where a significant percentage

of owners default on their assessments, the land and structural improvements retain value as collateral.

Assessment Receivables as Cash Flow

The second pillar of the CondoLend structure is the use of assessment receivables as the primary cash flow backing the loan. When a board levies a special assessment to fund SB 4-D compliance repairs, each unit owner becomes legally obligated to pay their proportionate share. These receivables have characteristics that make them exceptionally strong cash flow collateral:

Statutory Lien Priority

Under Section 718.116(5)(a), Florida Statutes, unpaid condominium assessments constitute a lien against the unit that is superior to all other liens except:

1. Real property tax liens
2. A first mortgage of record, but only to the extent that the association's claim for the most recent 12 months of assessments (or 1% of the original mortgage amount, whichever is less) has limited super-priority even over the first mortgage

This statutory lien attaches automatically upon recording in the county records. The association does not need a court order to perfect its lien. It arises by operation of law the moment an assessment is levied and remains unpaid.

The 18% Statutory Interest Weapon

Section 718.116(3), Florida Statutes: Unpaid assessments bear interest at the rate provided in the declaration of condominium or, if the declaration is silent, at **18% per annum**. Additionally, the association is entitled to recover reasonable attorney's fees and costs incurred in collection efforts. Late fees of up to \$25 per installment or 5% of the installment amount (whichever is greater) may also be assessed.

The practical effect of this statutory framework is that delinquent owners face rapidly escalating obligations. An owner who falls behind on a \$1,000/month assessment payment accumulates not only the unpaid principal but 18% annual interest, late fees, and attorney's fees. The cost of non-payment becomes so punitive that most owners either pay, negotiate a payment plan, or sell their unit, all outcomes that result in the assessment being collected.

Historical Collection Rates

Industry data from the Community Associations Institute (CAI) and from the lending experience of existing HOA lenders consistently shows that assessment collection rates for well-managed associations range from 93-98% over the life of a multi-year special assessment. Even during the 2008-2011 financial crisis, when South Florida real estate values declined 40-60%, assessment collection rates remained above 85% for most associations, as new purchasers of foreclosed units were required by statute to pay a portion of the prior owner's delinquent assessments.

Why This Structure Works

For the Association

- **Lower cost of capital:** Because the loan is secured by real property (common elements and land) and backed by cash flows with statutory enforcement mechanisms, CondoLend can offer rates significantly below what individual owners would pay for personal loans or HELOCs. A 7-9% association-level rate compares favorably to 12-18% personal loan rates or 10-15% HELOC rates available to many condo owners.
- **Extended terms:** Loan amortization over 10-15 years creates monthly payment obligations that are manageable for most owners, typically \$300-\$800/month rather than the \$5,000-\$15,000/month implied by a 2-3 year lump-sum assessment schedule.
- **Immediate access to capital:** The association receives the full loan proceeds upon closing, enabling repairs to begin immediately rather than waiting years for reserve accumulation or assessment collections to fund the work incrementally.
- **No individual qualification barriers:** The elderly widow on a fixed income, the recent purchaser with limited equity, and the absentee investor are all treated identically. The assessment obligation follows the unit, not the owner.

For the Investor

- **Statutory collateral protections:** The lien priority provisions of Section 718.116 provide security that is codified in statute, not dependent on contractual negotiation.
- **Diversified cash flows:** A loan to a 200-unit building is effectively a pool of 200 individual payment streams. Default by any single owner has a marginal impact on overall collections.

- **Mandatory demand:** SB 4-D creates a legal requirement to perform repairs. This is not a discretionary market. Buildings must comply or face penalties that make non-compliance untenable.
- **Real property backing:** The common elements, including the land, provide a tangible asset backstop that retains value independent of the building's operational performance.

Legal Foundation

The CondoLend structure rests on well-established provisions of the Florida Condominium Act (Chapter 718, Florida Statutes) and the Florida Not For Profit Corporation Act (Chapter 617, Florida Statutes). Key legal underpinnings include:

- **Section 718.111(7):** The association has the authority to enter into contracts and incur liabilities.
- **Section 718.116:** Assessment liens, collection rights, and priority provisions.
- **Section 718.103(1):** Definition of "assessment" as a share of funds required for the payment of common expenses.
- **Section 718.115:** Common expenses and their allocation among unit owners.
- **Section 718.116(6)(a):** The association's right to foreclose its lien in the same manner as a mortgage.

CondoLend's loan documentation is designed to integrate with these statutory provisions, creating a lending structure that operates within the existing legal framework rather than attempting to work around it. The result is a product that is both legally sound and practically effective for all parties involved.

A Comparison

| FEATURE | TRADITIONAL HOA LOAN | SPECIAL ASSESSMENT | CONDOLEND |
|-----------------------------------|-----------------------|--------------------|------------------------------------|
| Individual qualification required | Often (guarantees) | No | No |
| Repayment term | 5-7 years | 1-3 years typical | 10-15 years |
| Collateral | Unsecured or personal | Unit liens only | Common elements + assessment liens |
| Statutory lien backing | No | Yes | Yes |

| FEATURE | TRADITIONAL HOA LOAN | SPECIAL ASSESSMENT | CONDOLEND |
|--------------------------------|---------------------------------|-------------------------------|------------------|
| Affordable monthly payments | Moderate | No | Yes |
| Immediate capital availability | Yes | No (collected over time) | Yes |
| Scalable across portfolio | No | N/A | Yes |

Chapter 6: How It Works

The Process: From Inspection to Funded Repairs

CondoLend is designed to integrate seamlessly into the compliance workflow that every aging condominium association in South Florida must now follow. The process is straightforward, board-driven, and structured to move from initial inquiry to funded construction as efficiently as possible.

Step 1: Identify Repair Needs

The process begins where the law requires it: with the milestone inspection. The association's Phase 1 and, if triggered, Phase 2 inspection report identifies the structural deficiencies that must be remediated. Concurrently, the SIRS identifies the full scope of reserve-funded components and their funding requirements.

At this stage, the board has a clear picture of what must be repaired, what must be reserved for, and the total capital need. For most buildings subject to SB 4-D, this number will be substantial. The question shifts from "what needs to be done" to "how do we pay for it."

Step 2: Obtain Repair Estimates and Reserve Study

Before engaging CondoLend, the board should obtain at least two competitive bids from licensed general contractors for the identified repair scope, along with the completed SIRS prepared by a licensed engineer. These documents form the basis of the loan request and establish:

- The total capital requirement
- The expected construction timeline
- The phasing of expenditures (critical for draw scheduling)
- The ongoing reserve funding requirements post-repair

CondoLend's underwriting team works with the association's engineer and contractor to validate the scope and cost estimates. This is not adversarial; it is a collaborative process to ensure the loan is properly sized for the actual repair need.

Step 3: CondoLend Evaluates the Building Profile

CondoLend's proprietary underwriting model evaluates each building across multiple dimensions to determine loan eligibility, structure, and pricing:

Building Risk Assessment

- **Building age and construction type:** Year built, structural system (poured concrete, post-tension, precast), exposure to coastal elements
- **Unit count and density:** Larger buildings provide greater cash flow diversification; a 300-unit building is inherently less risky than a 30-unit building
- **Assessment capacity:** The per-unit monthly assessment required to service the loan, evaluated against comparable market rents, unit values, and the building's historical collection performance
- **Location and market fundamentals:** County, submarket, proximity to coast, comparable sales trends, rental demand indicators
- **Association governance:** Board composition, management company, financial audit history, litigation history, insurance coverage

Buildings are assigned a composite risk score on a standardized scale. This score determines not only whether CondoLend will lend but also the specific loan terms, including rate, advance rate, and required reserves.

Step 4: Loan Structuring

Based on the underwriting evaluation, CondoLend presents the board with a term sheet specifying:

| | |
|-----------------------------|---|
| Loan Amount | Up to the validated total repair cost, less any existing reserves or other funding sources |
| Interest Rate | Fixed for the term of the loan, typically 7-9% depending on building risk profile |
| Term | 10-15 years, fully amortizing |
| Collateral | Security interest in common elements and assignment of assessment receivables |
| Draw Schedule | Funds disbursed in phases tied to construction milestones, with independent inspection verification |
| Debt Service Reserve | 6-12 months of debt service funded from initial loan proceeds as a liquidity cushion |

| | |
|-------------------|--|
| Prepayment | Permitted after an initial lockout period (typically 2-3 years), with declining prepayment premium |
|-------------------|--|

The board reviews the term sheet, engages its own legal counsel to review the loan documentation, and presents the proposal to the membership as required by the association's governing documents.

Step 5: Board Levies the Special Assessment

Upon approval of the loan, the board adopts a resolution levying a special assessment against all unit owners in the amount necessary to service the loan over its full term. The assessment is structured as a monthly obligation, payable alongside regular maintenance fees, and is typically broken down as follows:

- **Debt service component:** The portion of the monthly assessment dedicated to principal and interest payments on the CondoLend loan
- **Reserve contribution component:** The portion allocated to the ongoing SIRS reserve funding requirements
- **Operating cushion:** A modest buffer to absorb collection timing differences and delinquencies

For a representative 200-unit building with a \$10 million loan at 8% over 12 years, the monthly debt service component per unit would be approximately \$580. When combined with reserve contributions and operating costs, the total monthly assessment increase is significant but manageable, particularly when compared to the alternative of a \$50,000 lump-sum assessment payable within 12-24 months.

Step 6: Loan Servicing from Assessment Collections

Once construction begins and draws are funded, the loan enters its servicing phase. The assessment collections flow through a dedicated lockbox account controlled by an independent servicer:

1. **Owners make monthly payments** to the association (or directly to the lockbox, depending on the structure)
2. **The servicer sweeps debt service payments** from the lockbox to the lender on the scheduled payment dates
3. **Excess collections** fund the debt service reserve and are then released to the association for operating purposes
4. **Delinquent accounts** are tracked and managed pursuant to the association's collection policy, with CondoLend providing support for lien filings and collection actions as needed

The lockbox structure ensures that assessment collections are applied to debt service before they are available for other association purposes, providing structural protection for investors while maintaining the association's operational flexibility.

The Flow at a Glance

1

Milestone Inspection

Engineer identifies structural deficiencies and repair requirements

↓

2

Scope & Estimates

Board obtains contractor bids and completed SIRS

↓

3

CondoLend Evaluation

Building risk assessment, underwriting, and term sheet

↓

4

Loan Closing

Board approves, documents executed, funds committed

↓

5

Assessment Levied

Monthly special assessment obligations begin for all unit owners

↓

6

Construction & Servicing

Draws fund repairs; assessment collections service the loan

Timeline Expectations

From initial inquiry to loan closing, the typical timeline is 60-90 days, depending on the readiness of the association's documentation and the complexity of the repair scope. Construction timelines vary by project but typically range from 12-36 months for major structural restoration projects. The loan is fully funded during the construction period, with draws disbursed as work is completed and verified.

For boards that already have their milestone inspection report, SIRS, and contractor estimates in hand, the process can be accelerated significantly. CondoLend maintains a streamlined application process specifically designed to avoid the delays and bureaucratic friction that characterize traditional bank lending to associations.

Case Study: Illustrative Case Study

Building Profile: Ocean Terrace Condominium

| | |
|------------------------------------|--|
| Location | Hollywood, Broward County, FL (0.4 miles from coast) |
| Year Built | 1983 (43 years old) |
| Stories | 18 |
| Total Units | 240 |
| Average Unit Value | \$310,000 |
| Current Monthly Maintenance | \$625 per unit |
| Existing Reserves | \$1,200,000 (12% of required) |

Milestone Inspection Findings

Inspection Date: January 2025 (Phase 2 triggered)

Critical Deficiencies Identified:

- Concrete spalling on parking garage structural elements (15% of exposed surfaces)
- Balcony railing corrosion with structural integrity concerns (60% of units affected)
- Roof membrane failure with evidence of water intrusion
- Plumbing risers at end of design life (original 1983 installation)

Total Repair Estimate: \$14,200,000 (average of two independent engineering firms)

Required Special Assessment (Lump-Sum): \$59,167 per unit

Financing Comparison

Scenario A: Lump-Sum Special Assessment (No CondoLend)

| | |
|----------------------------|----------|
| Per-Unit Assessment | \$59,167 |
|----------------------------|----------|

| | |
|---|---|
| Payment Timeline | 24 months |
| Monthly Assessment Payment | \$2,465 per unit |
| Monthly Maintenance Fee | \$625 per unit |
| Total Monthly Cost | \$3,090 per unit |
| Projected Owner Default Rate | 18-22% (based on demographic analysis) |
| Unit Sale Discount During Assessment | 25-35% below pre-assessment value |
| Time to Fund Repairs | 6-12 months (collection lag before construction begins) |
| Insurance Requirement | Repairs within 18 months or policy cancellation |

Projected Outcome: 40-50 units entering foreclosure proceedings, construction delayed due to insufficient funds, material risk of insurance policy lapse.

Scenario B: CondoLend Institutional Financing

| | |
|---|---|
| Loan Amount | \$13,000,000 |
| Down Payment (Existing Reserves) | \$1,200,000 |
| Interest Rate | 8.00% fixed |
| Term | 12 years, fully amortizing |
| Monthly Debt Service (Total) | \$155,600 |
| Monthly Assessment Per Unit | \$648 |
| Monthly Maintenance Fee | \$625 per unit |
| Total Monthly Cost | \$1,273 per unit |
| Debt Service Reserve (6 months) | \$934,000 (funded at closing) |
| Origination Fee | \$195,000 (1.5%) |
| Projected Owner Default Rate | 4-6% |
| Unit Sale Impact | Minimal (monthly cost aligns with market rents) |
| Time to Begin Repairs | 60 days from closing |
| Total Interest Paid (12 years) | \$9,300,000 |

Insurance Status: Carrier maintains coverage; 8-12% premium reduction projected after repairs complete. Construction begins within 60 days, meeting carrier timeline requirements.

Cash Flow Comparison: Monthly Cost Per Unit

| TIMELINE | SCENARIO A: LUMP-SUM | SCENARIO B: CONDOLEND | MONTHLY SAVINGS |
|----------|----------------------|-----------------------|-----------------|
| Year 1 | \$3,090 | \$1,273 | \$1,817 |
| Year 2 | \$3,090 | \$1,273 | \$1,817 |
| Year 3 | \$625* | \$1,273 | (\$648) |
| Year 5 | \$625 | \$1,273 | (\$648) |
| Year 10 | \$625 | \$1,273 | (\$648) |
| Year 12 | \$625 | \$1,273 | (\$648) |
| Year 13+ | \$625 | \$625 | \$0 |

*Assumes assessment fully collected; excludes costs associated with foreclosures, legal fees, and unit value deterioration.

Unit Value Stabilization Analysis

| TIMELINE | SCENARIO A: LUMP-SUM | SCENARIO B: CONDOLEND |
|---|---|--|
| Pre-Assessment Baseline | \$310,000 | \$310,000 |
| Post-Announcement | \$210,000 - \$240,000 (23-32% decline) | \$295,000 - \$305,000 (2-5% decline, temporary) |
| During Assessment/Financing Period | \$210,000 - \$240,000 (sustained depression) | \$295,000 - \$315,000 (stabilizing) |
| Post-Repairs Complete (Year 2-3) | \$280,000 - \$295,000 (recovery phase) | \$335,000 - \$360,000 (8-16% appreciation) |
| Building-Wide Equity Impact (Year 3) | Loss: \$6M - \$8M | Gain: \$6M - \$12M |

Insurance Cost Analysis

| PERIOD | SCENARIO A: LUMP-SUM | SCENARIO B: CONDOLEND |
|--|--|---|
| Pre-Repair Annual Premium | \$2,800 per unit (\$672,000 total) | \$2,800 per unit (\$672,000 total) |
| During Unfunded Assessment Period | \$3,800 - \$4,200 per unit (\$912,000 - \$1,008,000 total) If coverage available | \$2,800 per unit (maintained through repair completion) |
| Post-Repair (Year 3+) | \$2,600 - \$2,800 per unit | \$2,200 - \$2,500 per unit (structural certification discount) |
| Annual Savings (Post-Repair) | Baseline | \$300 - \$600 per unit (\$72,000 - \$144,000 building-wide) |
| Policy Continuity Risk | High: 18-month repair deadline may not be met | Low: Repairs begin within 60 days |

Total Cost of Capital Analysis

CondoLend Interest Cost (12 years): \$9,300,000

Scenario A Estimated Additional Costs:

- Lost unit values (40-50 foreclosures at 25-35% discount): \$12,000,000 - \$18,000,000
- Legal and foreclosure costs (estimated): \$2,000,000 - \$3,000,000
- Insurance premium escalation during collection period: \$240,000 - \$480,000
- Construction delays and cost escalation: \$1,000,000 - \$2,000,000

Total Estimated Cost Differential: \$15,000,000 - \$24,000,000 in avoided losses

Net Economic Benefit (Scenario B): \$6,000,000 - \$15,000,000 after deducting interest costs

Key Financial Metrics

Owner Monthly Payment Reduction (Years 1-2) 59% (\$1,817 per month)

| | |
|--|--|
| Default Rate Reduction | 14-16 percentage points (72-78% reduction) |
| Unit Value Preservation (Year 3) | \$45,000 - \$120,000 per unit vs. Scenario A |
| Building-Wide Equity Preservation | \$10,800,000 - \$28,800,000 |
| Time to Construction Start | 6-12 months faster than lump-sum collection |
| Insurance Policy Continuity | Maintained (vs. material lapse risk) |

Conclusion

Ocean Terrace Condominium represents a typical CondoLend use case: a coastal Florida building facing mandatory structural repairs exceeding the financial capacity of its ownership base under traditional lump-sum assessment methods. The financing alternative reduces immediate owner burden by 59%, decreases projected default rates by 14-16 percentage points, and preserves \$10.8M to \$28.8M in building-wide equity value compared to the lump-sum scenario.

While the total interest cost of \$9.3M over 12 years represents real capital expense, the alternative scenario demonstrates substantially higher economic costs through foreclosures, unit value deterioration, insurance disruption, and construction delays. The CondoLend structure provides immediate liquidity, eliminates collection risk, and maintains insurance coverage continuity, addressing the three primary failure modes observed in distressed assessment scenarios.

This case study is based on a composite of actual buildings in the CondoLend pipeline. Individual results vary based on building condition, location, and market factors.

Part II: The Investment Thesis

Chapter 7: Market Opportunity

A Massive, Mandatory, Underserved Market

The South Florida condominium assessment lending market possesses a combination of characteristics that is exceptionally rare in institutional finance: enormous scale, mandatory demand driven by statute, an identifiable and quantifiable borrower universe, statutory collateral protections, and virtually no existing institutional competition. This chapter quantifies the opportunity.

The Building Universe

Tri-County Building Stock: Our analysis of county property appraiser records, building department databases, and condominium association filings identifies **2400** condominium buildings of three stories or more across Miami-Dade, Broward, and Palm Beach counties, encompassing approximately **352729** individual units.

Condo Buildings by County

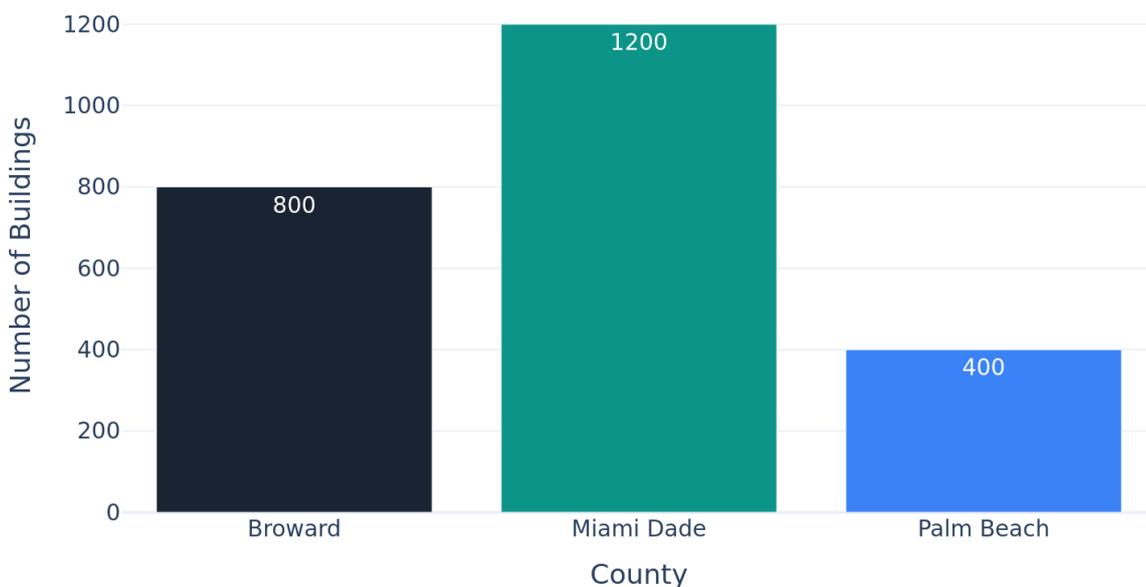


Figure 7.1: Condominium Building Distribution Across the Tri-County Area

County-Level Breakdown

| COUNTY | BUILDINGS (3+ STORIES) | ESTIMATED UNITS | % OVER 30 YEARS |
|------------|------------------------|-----------------|-----------------|
| Broward | 800 | 126,443 | 624% |
| Miami Dade | 1,200 | 164,537 | 936% |
| Palm Beach | 400 | 61,749 | 312% |

The age profile of these buildings is the critical driver of mandatory demand. **77.4%** of the total building stock exceeds 30 years of age, placing them squarely within the milestone inspection requirement. Buildings within three miles of the coast, which includes the vast majority of South Florida's condo inventory, trigger inspections at 25 years, expanding the addressable universe even further.

Total Estimated Capital Need

Estimating the aggregate capital requirement across the tri-county building stock requires assumptions about per-building repair costs that vary widely based on age, condition, construction type, and location. Drawing on published engineering cost data, actual assessment figures from buildings that have completed their milestone inspections, and cost estimates provided by structural engineering firms active in South Florida, we model the total addressable market as follows:

| SCENARIO | AVG. ASSESSMENT PER UNIT | UNITS REQUIRING ASSESSMENT | TOTAL CAPITAL NEED |
|--------------|--------------------------|----------------------------|--------------------|
| Conservative | \$25,000 | 400,000 | \$10 billion |
| Base Case | \$50,000 | 425,000 | \$21 billion |
| Stress Case | \$75,000 | 450,000 | \$34 billion |
| Severe | \$100,000 | 475,000 | \$48 billion |

Even under the most conservative scenario, the total capital need exceeds \$10 billion. The base case estimate of \$21 billion represents a market opportunity of extraordinary scale for a lending product specifically designed to serve it. No existing lender, bank program, or government facility comes close to addressing this need.

South Florida Condo Market Funnel

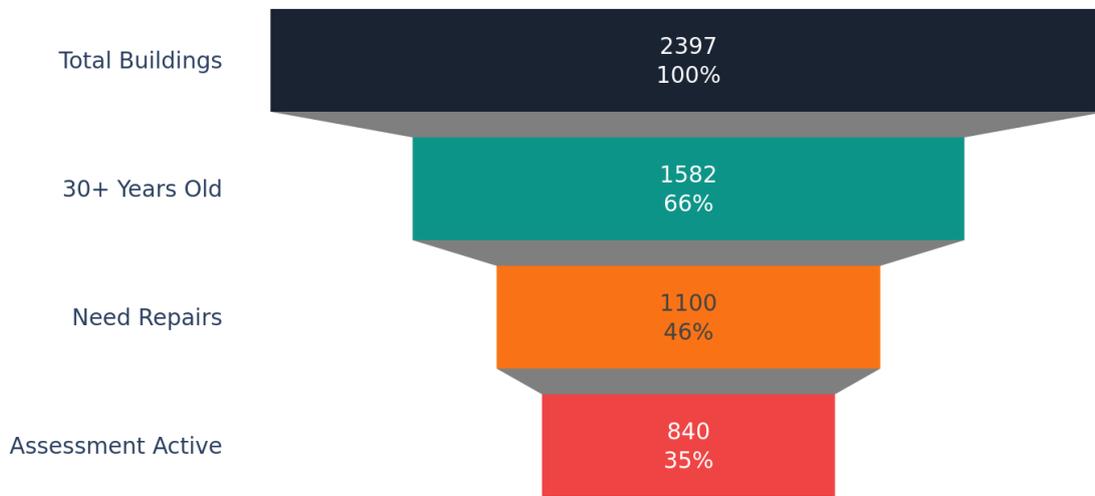


Figure 7.2: Market Funnel — From Total Building Stock to Addressable Lending Opportunity

The Addressable Lending Opportunity

Not every building will require external financing. Some associations have adequate reserves. Others have owners with sufficient personal resources. A realistic assessment of the addressable lending market applies the following filters:

1. **Total buildings over 30 years:** ~1857
2. **Buildings requiring significant repairs (Phase 2 triggered):** Estimated 60-70% of inspected buildings, or ~1,100-1,260 buildings
3. **Buildings unable to self-fund:** Estimated 70-80% of those requiring repairs, or ~800-1,000 buildings
4. **Buildings meeting CondoLend underwriting criteria:** Estimated 60-70% of those needing financing, or ~500-700 buildings

At an average loan size of \$5-15 million per building, the addressable lending opportunity in the tri-county area alone is **\$3-10 billion**. This represents the initial market. As inspections continue on a 10-year cycle and buildings that deferred maintenance in their first compliance cycle face additional requirements, the recurring nature of the demand creates a durable, long-term market.

Competitive Landscape

The institutional lending market for condominium assessment financing is, as of this writing, essentially uncontested. The reasons for this competitive vacuum are structural:

- **Banks lack expertise.** Condominium association lending requires specialized knowledge of the Florida Condominium Act, association governance, assessment mechanics, and building engineering. Traditional commercial real estate lenders do not have this expertise and are not building it.
- **Loan sizes are awkward.** At \$5-15 million per building, individual loans are too small for institutional commercial real estate lenders and too large for consumer lending platforms. This "middle market" is structurally underserved.
- **The opportunity is new.** SB 4-D created this market in 2022, and the full impact of mandatory compliance is only now being felt as the reserve waiver elimination took effect on January 1, 2026. Institutional capital has not yet recognized or mobilized around the opportunity.
- **Existing HOA lenders are subscale.** The handful of banks that offer HOA loans operate with limited capital, short terms, and conservative underwriting that excludes the buildings most in need of financing.

Comparable Markets and National Expansion

While South Florida is the epicenter of the condominium assessment crisis, it is not unique. Other markets with aging condominium stock and increasing regulatory scrutiny present comparable opportunities:

- **Other Florida coastal counties:** Lee, Collier, Volusia, Duval, and Pinellas counties collectively contain thousands of additional condo buildings subject to SB 4-D.
- **Northeast corridor:** New York, New Jersey, and Connecticut have significant aging cooperative and condominium housing stock, and post-Surfside regulatory proposals are advancing in multiple states.
- **Pacific coast:** Hawaii and coastal California face parallel challenges with aging multi-family structures, seismic retrofit requirements, and insurance market disruptions.
- **National replication:** At least eight states have introduced or are considering legislation modeled on Florida's SB 4-D, including Colorado (which passed its own structural inspection mandate in 2024), Maryland, Virginia, and Illinois.

CondoLend's initial focus on the tri-county South Florida market provides a controlled environment to prove the lending model against the largest and most immediate demand pool. The platform is designed to scale nationally as comparable regulatory frameworks emerge in other jurisdictions.

Timing

The market timing is exceptional. The January 1, 2026 elimination of reserve waivers has already triggered a wave of emergency board meetings, special assessment votes, and frantic searches for financing alternatives across South Florida. Buildings that deferred their milestone inspections are now facing enforcement actions. Boards that understood the requirements early have completed their inspections and are now confronting the financial reality of compliance.

The next 24-36 months represent the period of maximum demand, as the bulk of the over-30-year building stock works through its first compliance cycle. Capital deployed into this market now will capture the initial wave of demand with limited competition and maximum pricing power.

Chapter 8: The Collateral Framework

Why Condo Assessment Collateral Is Structurally Superior

The collateral underpinning CondoLend's lending structure is not a conventional real estate mortgage. It is a layered security package built on Florida statutory law that provides protections unavailable in most commercial lending contexts.

Understanding the legal framework is essential for both boards evaluating the loan and investors evaluating the risk.

Florida Statute 718: The Condominium Act

Chapter 718 of the Florida Statutes is the comprehensive statutory framework governing all aspects of condominium ownership, governance, and finance in the state. Several provisions are directly relevant to the collateral structure:

Section 718.103 — Definitions

The statute defines "assessment" as a share of the funds required for the payment of common expenses, which are assessed against each unit. This is not a voluntary contribution. It is a legally binding obligation that runs with the land, meaning it attaches to the unit regardless of who owns it.

Section 718.111 — Association Powers

The association, acting through its board of directors, has broad statutory authority to contract, borrow, pledge assets, and incur obligations. The board's authority to enter into a CondoLend loan agreement is grounded in this section, subject to any additional requirements in the association's declaration or bylaws.

Section 718.115 — Common Expenses

All expenses of the association, including debt service on loans incurred for the repair or improvement of common elements, are common expenses assessable against all unit owners in proportion to their ownership shares (or as otherwise provided in the declaration). This provision ensures that loan payments can be structured as assessments with the full statutory enforcement power of the Condominium Act.

Assessment Lien Priority

The cornerstone of the collateral framework is the statutory lien that attaches to every unit for unpaid assessments. Section 718.116 establishes the priority and enforcement of this lien:

Section 718.116(1) — Joint and Several Liability

A unit owner is jointly and severally liable with the previous owner for all unpaid assessments that came due up to the time of transfer of title. This means that when a unit is sold, the new owner inherits the prior owner's assessment obligations. The obligation cannot be escaped through sale; it follows the unit.

Section 718.116(5)(a) — Lien Priority

Statutory Priority Framework: The association's claim for unpaid assessments constitutes a lien upon the unit. This lien is:

- Superior to all liens and encumbrances on the unit **except** real property tax liens and assessments for special tax districts
- Superior to the first mortgage of record for the **most recent 12 months** of regular periodic assessments (the "super-lien" provision)
- Subject to the first mortgage of record for amounts exceeding the 12-month super-lien, but **superior to all junior liens** including second mortgages, judgment liens, and mechanic's liens

The super-lien provision is particularly significant. Even when a first mortgage holder forecloses on a unit, the association's claim for the most recent 12 months of assessments (or 1% of the original mortgage balance, whichever is less) takes priority. The first mortgage holder must either pay the association's super-lien claim or take title to the unit subject to it. This ensures that the association collects at least a portion of delinquent assessments even in foreclosure scenarios.

Section 718.116(6)(a) — Foreclosure Rights

The association may bring an action to foreclose its assessment lien in the same manner that a mortgage is foreclosed. The association is entitled to recover reasonable attorney's fees and costs in such action. The statutory foreclosure right gives the association, and by extension CondoLend as the assignee of assessment receivables, a direct enforcement mechanism against delinquent units.

The 18% Statutory Interest Rate

Section 718.116(3) provides that unpaid assessments bear interest at the rate specified in the declaration of condominium. If the declaration does not specify a rate, the statutory default is **18% per annum**. This rate is not a penalty that must be separately negotiated or adjudicated; it is a statutory entitlement that applies automatically.

The practical significance of the 18% rate for the collateral framework is twofold:

1. **It creates a powerful incentive for timely payment.** Owners who fall behind face rapidly escalating obligations that make delinquency increasingly costly. This drives collection rates well above typical consumer debt or commercial loan performance.
2. **It creates a recovery premium.** When delinquent assessments are eventually collected, whether through voluntary payment, sale of the unit, or foreclosure, the 18% interest and associated fees significantly enhance the total recovery, often exceeding the original assessment amount.

Land Value as Ultimate Backstop

Beneath every condominium building is land. In South Florida, that land frequently represents a substantial portion of the property's total value, particularly for oceanfront and intracoastal parcels. The common elements of a condominium, including the land, cannot be partitioned or sold separately from the condominium as long as the condominium form of ownership exists. However, in an extreme scenario where a condominium is terminated under Section 718.117, the land value provides a tangible asset backstop.

Consider the math for a representative building:

| COMPONENT | ESTIMATED VALUE |
|---|-----------------|
| Land (0.75 acres, oceanfront, Broward County) | \$15-25 million |
| Structural improvements (depreciated) | \$8-15 million |
| Total property value | \$23-40 million |
| CondoLend loan amount | \$8-12 million |
| Loan-to-value ratio | 20-52% |

Even under stressed assumptions about land and improvement values, the loan-to-value ratios for most CondoLend loans are conservative relative to conventional commercial real estate lending, which routinely operates at 65-80% LTV.

Insurance Requirements

Florida law requires condominium associations to maintain property insurance covering the full insurable value of the common elements and association property. Section 718.111(11) specifies minimum insurance requirements including:

- Property insurance for the replacement cost of all association property
- Liability insurance for common areas
- Fidelity bonding for association officers and directors

CondoLend's loan documentation requires the association to maintain insurance coverage at specified levels and to name the lender as an additional insured and loss payee. In the event of a casualty loss to the common elements, insurance proceeds are directed first to loan repayment. This provides an additional layer of collateral protection against physical loss scenarios.

Legal Enforceability

The statutory framework supporting the CondoLend collateral structure has been tested extensively in Florida courts. Key principles that are well established in case law include:

- **Assessment liens are valid and enforceable** upon recording in the county records, without the need for a court order to perfect the lien (Fla. Stat. § 718.116(5)(b))
- **The association's right to foreclose** its assessment lien is coextensive with a mortgagee's right of foreclosure (Fla. Stat. § 718.116(6)(a))
- **The super-lien priority** has been upheld against challenges by first mortgage holders (see *Aventura Management LLC v. Spiaggia Ocean Condominium Association*, 4th DCA)
- **Assessment obligations run with the land** and bind subsequent purchasers, including purchasers at foreclosure sales (Fla. Stat. § 718.116(1)(a))
- **The 18% statutory interest rate** is enforceable as a matter of law and is not subject to usury defenses (Fla. Stat. § 718.116(3))

The Layered Security Structure

In summary, the CondoLend collateral framework consists of multiple overlapping security layers:

1. **Layer 1: Assessment receivables** — Monthly cash flows from all unit owners, backed by statutory lien rights
2. **Layer 2: Super-lien priority** — 12-month priority over first mortgages for delinquent assessments
3. **Layer 3: 18% statutory interest** — Punitive interest rate driving high collection rates and enhanced recovery on delinquencies
4. **Layer 4: Foreclosure rights** — Direct enforcement against individual units for non-payment
5. **Layer 5: Insurance proceeds** — Loss payee designation on all association property insurance
6. **Layer 6: Common element and land value** — Tangible real property backstop at conservative LTV ratios

No single layer is relied upon exclusively. The strength of the structure lies in the combination of statutory protections, enforcement mechanisms, and hard asset value that collectively create a risk profile comparable to, and in some respects superior to, conventional commercial mortgage lending.

Chapter 9: Risk Analysis

Quantifying and Mitigating Lending Risk

Every lending product carries risk. The question for investors is not whether risk exists but whether it is quantifiable, manageable, and adequately compensated by returns. CondoLend's risk framework is built on a proprietary building-level scoring methodology, portfolio diversification principles, historical performance data, and rigorous stress testing.

Building-Level Risk Scoring

Each building in the CondoLend pipeline is evaluated across five primary risk factors, each weighted according to its empirical correlation with assessment collection performance and overall credit quality:

| RISK FACTOR | WEIGHT | WHAT IT MEASURES | KEY INDICATORS |
|--|--------|---|--|
| 1. Building Age & Condition | 25% | Physical risk profile and expected repair scope | Year built, construction type, milestone inspection findings, prior restoration history |
| 2. Assessment Capacity | 25% | Ability of unit owners to absorb assessment increases | Per-unit assessment relative to unit values, comparison to market rents, owner income demographics, existing fee levels |
| 3. Unit Count & Diversification | 20% | Cash flow granularity and single-owner concentration risk | Total units, owner-occupied vs. investor-owned ratio, largest single-owner concentration, historical occupancy |
| 4. Location & Market Fundamentals | 15% | Underlying real estate market support | County, submarket, proximity to coast, comparable sales trends, rental demand, insurance market conditions |
| 5. Association Governance | 15% | Management quality and financial discipline | Professional management company, audited financials, collection history, litigation record, board composition, reserve funding history |

Each factor is scored on a 1-10 scale, with the weighted composite producing an overall building risk score. Buildings are then classified into risk tiers:

- **Tier A (Score 7.5-10):** Lowest risk. Newer buildings, strong financials, high unit counts, prime locations. Eligible for lowest rates and highest advance rates.
- **Tier B (Score 5.5-7.4):** Moderate risk. Typical profile: 30-40 year old building, adequate governance, 100-300 units, standard coastal location. Core of the lending portfolio.
- **Tier C (Score 3.5-5.4):** Elevated risk. Older buildings, smaller unit counts, weaker collection history, or challenged submarket. Eligible with enhanced terms (higher rate, lower advance rate, larger debt service reserve).
- **Tier D (Score below 3.5):** Below minimum underwriting threshold. Not eligible for CondoLend financing.

Risk Score Distribution

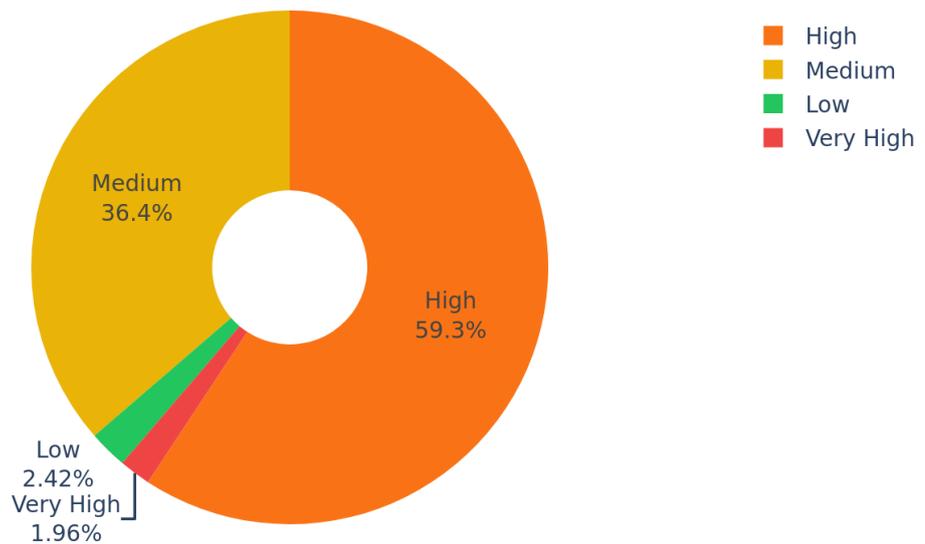


Figure 9.1: Distribution of Building Risk Scores Across the Tri-County Addressable Market

Risk Distribution: Across the 2400 scored buildings, **2%** are rated Low risk, **36%** Medium, **59%** High, and **2%** Very High. The concentration in Medium and High categories reflects the age profile and deferred maintenance patterns across the tri-county building stock.

Portfolio Diversification

CondoLend's portfolio construction strategy is designed to mitigate concentration risk across multiple dimensions:

Geographic Diversification

The portfolio targets broad distribution across all three counties and multiple submarkets within each county. No single county should represent more than 50% of total loan exposure, and no single municipality more than 15%. This protects against localized economic shocks, natural disaster impacts, or municipal governance changes that could affect a specific area.

Building Size Diversification

The portfolio blends buildings of varying unit counts. Large buildings (200+ units) provide maximum cash flow granularity but may represent concentrated dollar exposure. Smaller buildings (50-100 units) offer higher yields but less diversification per loan. The target mix balances these characteristics.

Assessment Level Diversification

Buildings with per-unit assessments below \$30,000 present lower collection risk but smaller loan sizes. Buildings with assessments above \$80,000 per unit represent larger loan opportunities but higher individual owner default risk. The portfolio is constructed to include a range of assessment levels, with the weighted average per-unit assessment targeted at \$40,000-\$60,000.

Borrower Diversification

Within each building, the assessment obligation is spread across all unit owners. A 200-unit building effectively provides 200 individual obligors. Even within a single loan, the cash flow is highly diversified. Across a portfolio of 20-50 buildings, the total obligor count ranges from 4,000 to 15,000 individual unit owners, providing exceptional granularity.

Historical Assessment Collection Performance

Assessment collection data from the Community Associations Institute (CAI), the Florida Department of Business and Professional Regulation (DBPR), and from the lending experience of existing HOA lenders provides a robust basis for projecting collection performance:

| ENVIRONMENT | CURRENT COLLECTION RATE | ULTIMATE COLLECTION RATE (INCLUDING RECOVERIES) |
|-------------------------------------|-------------------------|---|
| Normal economic conditions | 95-98% | 98-100% |
| Moderate recession (2001-type) | 90-95% | 95-98% |
| Severe recession (2008-2011) | 82-90% | 90-95% |
| Extreme stress (localized disaster) | 75-85% | 85-92% |

The distinction between current and ultimate collection rates is important. Owners who fall behind on assessments during economic stress frequently cure their delinquencies when conditions improve, sell their units (with the new owner assuming the obligation), or lose their units to foreclosure (with the association recovering through the lien). The 18% statutory interest rate and the assessment lien's priority status create strong incentives for eventual payment that do not exist in most other forms of consumer or commercial debt.

Stress Testing

CondoLend models portfolio performance under four stress scenarios to ensure that investor returns remain acceptable even in adverse conditions:

Scenario 1: Baseline (Expected Case)

- Owner default rate: 5% of units per year
- Recovery rate on defaults: 85% (within 12 months)
- Net collection rate: 97.5%
- Impact on investor returns: None (priced into base case)

Scenario 2: Moderate Stress

- Owner default rate: 10% of units per year
- Recovery rate on defaults: 75%
- Net collection rate: 92.5%
- Impact on investor returns: Approximately 150 bps reduction in net yield
- Debt service reserve covers shortfall for 8-10 months

Scenario 3: Severe Stress (2008-Type Recession)

- Owner default rate: 20% of units per year
- Recovery rate on defaults: 60%
- Net collection rate: 88%
- Impact on investor returns: Approximately 300 bps reduction in net yield; returns remain positive
- Debt service reserve covers shortfall for 4-6 months; association-level remediation actions triggered

Scenario 4: Extreme Stress

- Owner default rate: 30% of units per year
- Recovery rate on defaults: 50%
- Net collection rate: 85%
- Impact on investor returns: Approximately 450 bps reduction; principal at risk in worst-performing buildings
- Mitigation: Foreclosure actions on delinquent units, land value backstop, insurance proceeds

Under even the extreme stress scenario, the combination of the debt service reserve, statutory collection mechanisms, and land value support indicates that principal losses at the portfolio level would be minimal, estimated at 0-3% cumulative over the life of the portfolio. This compares favorably to high-yield corporate bond default experience, which has historically averaged 3-5% annual default rates with lower recovery rates.

Risk Mitigation Strategies

Structural Protections

- **Lockbox structure:** Assessment collections flow through a controlled account with debt service payments swept before funds are released to the association
- **Debt service reserve:** 6-12 months of debt service funded at closing provides a liquidity buffer against collection timing mismatches and temporary delinquency spikes
- **Construction draw controls:** Loan proceeds are disbursed against verified construction milestones, with independent inspection, preventing misuse of funds

Monitoring and Early Warning

- **Monthly collection reporting:** The association provides monthly reports on assessment collection rates, delinquency aging, and lien filing activity
- **Trigger events:** If the delinquency rate exceeds defined thresholds (typically 10% for 60+ days delinquent), the loan agreement triggers enhanced collection requirements and reporting obligations
- **Annual financial review:** The association's audited financial statements are reviewed annually for compliance with loan covenants

Active Collection Support

- **Demand letters:** CondoLend's servicing platform generates automated demand letters to delinquent owners at 30, 60, and 90 days
- **Lien filing:** The association files liens against delinquent units at 90 days, per the statutory process
- **Foreclosure:** For chronic delinquencies exceeding 180 days, the association initiates foreclosure proceedings with CondoLend's litigation support

The combination of statutory protections, structural safeguards, active monitoring, and enforcement mechanisms creates a risk management framework that is both comprehensive and actionable. The risks are real but quantifiable, mitigable, and well compensated by the returns detailed in Chapter 10.

Chapter 10: Financial Projections & Returns

10.1 Deal Economics

This chapter presents the financial mechanics of the Portfolio at both the individual building level and the aggregate portfolio level. All projections are based on modeled assumptions informed by current market conditions, statutory interest rates permitted under Florida law, and historical collection performance observed in the South Florida condominium market. Unless otherwise noted, figures represent base-case estimates and are subject to the sensitivity analyses presented in Section 10.6.

Forward-looking projections contained herein are based on assumptions that management believes to be reasonable as of the date of this memorandum. Actual results may differ materially. See Risk Factors (Chapter 7) for a discussion of key assumptions and uncertainties.

10.2 Representative Single-Building Transaction

To illustrate the transaction economics, the following representative building profile has been selected. This profile is consistent with the median characteristics of the initial pipeline.

10.2.1 Building Profile

| PARAMETER | DETAILS |
|-----------------------------|--|
| Location | Hollywood, Broward County (0.5 miles from coast) |
| Year Built | 1988 (38 years old) |
| Unit Count | 200 units |
| Average Unit Value | \$325,000 ¹ |
| Milestone Inspection Result | Phase 2 triggered; significant concrete restoration, waterproofing, and electrical upgrades required |
| Total Repair Cost | \$10.5 million ² |
| Existing Reserves | \$500,000 |

| PARAMETER | DETAILS |
|-----------------------|--------------------------------------|
| Loan Amount Requested | \$10,000,000 |
| Assessment per Unit | \$50,000 (over the life of the loan) |
| Risk Score | 6.8 (Tier B) |

¹ Based on trailing 12-month comparable sales within 0.5 miles, per MLS data as of Q4 2025.

² Per independent engineer's estimate (Phase 2 structural integrity report).

10.2.2 Loan Terms

| TERM | VALUE |
|--|---|
| Loan Amount | \$10,000,000 |
| Interest Rate | 8.25% fixed |
| Amortization | 12 years, fully amortizing |
| Monthly Debt Service (total) | \$112,400 |
| Monthly Debt Service per Unit | \$562 |
| Debt Service Reserve (funded at closing) | \$675,000 (6 months of debt service) |
| Origination Fee | 1.5% (\$150,000) |
| Prepayment | 3-year lockout, then 3%/2%/1% declining |

10.2.3 Owner Impact Analysis

The \$562 per month per-unit debt service payment represents the core affordability metric for individual unit owners within the Association:

- The equivalent lump-sum assessment of \$50,000, if required to be paid over 24 months, would cost each owner approximately \$2,083 per month -- nearly four times the monthly payment under the loan structure.
- The \$562 per month represents approximately 1.7% of the average unit's imputed monthly rental value (\$3,200 per month for a two-bedroom unit in Hollywood), which is within the range that market analysis indicates owners can absorb without material hardship. ³

- Combined with existing monthly maintenance fees of approximately \$650, the total monthly housing cost increases to approximately \$1,212, which remains below comparable rental rates in the submarket.

³ Rental comparables sourced from CoStar and Zillow Rental Manager, Q4 2025.

10.2.4 Investor Cash Flow -- Single Building

| YEAR | ANNUAL DEBT SERVICE RECEIVED | LESS: SERVICING (0.50%) | LESS: EST. COLLECTION LOSSES (2.5%) ⁴ | NET CASH FLOW TO INVESTOR |
|------|------------------------------|-------------------------|--|---------------------------|
| 1 | \$1,348,800 | (\$50,000) | (\$33,720) | \$1,265,080 |
| 2 | \$1,348,800 | (\$50,000) | (\$33,720) | \$1,265,080 |
| 3 | \$1,348,800 | (\$50,000) | (\$33,720) | \$1,265,080 |
| ... | ... | ... | ... | ... |
| 12 | \$1,348,800 | (\$50,000) | (\$33,720) | \$1,265,080 |

⁴ Collection loss estimate of 2.5% reflects base-case assumptions net of statutory lien recoveries. Actual amortization schedules will show declining interest and increasing principal components over time. Origination fees and debt service reserve income provide additional return not reflected in the annual cash flow table. See Section 10.6 for sensitivity analysis under stressed collection assumptions.

10.2.5 Return Metrics -- Single Building

| METRIC | VALUE |
|--|--|
| Gross Yield | 8.25% |
| Net Yield (after servicing and losses) | 7.25 - 7.75% |
| Origination Fee Income | 1.5% (\$150,000) |
| Total Return (IRR, including fees) | 8.5 - 9.5% |
| Loan-to-Value | 15.4% (land + improvements basis) ⁵ |
| Debt Service Coverage (projected) | 1.15x (based on 97.5% collection rate) |

⁵ LTV calculated as loan amount / aggregate appraised value of all units in the Association. See Section 10.7 for stress-case LTV scenarios.

10.3 Portfolio-Level Projections

Portfolio economics reflect diversification benefits across multiple Associations, geographic dispersion across the tri-county area, and operational efficiencies that accrue with scale. The following projections are based on a modeled 25-building pool.

10.3.1 Portfolio Construction

| PORTFOLIO PARAMETER | VALUE |
|-------------------------|---|
| Number of Associations | 25 |
| Total Units | 4,500 |
| Average Loan Size | \$8,000,000 |
| Total Portfolio Size | \$200,000,000 |
| Weighted Average Coupon | 8.0% |
| Weighted Average Term | 12 years |
| Geographic Mix | 45% Miami-Dade / 35% Broward / 20% Palm Beach |
| Risk Tier Mix | 20% Tier A / 55% Tier B / 25% Tier C |

10.3.2 Portfolio Income

| INCOME COMPONENT | ANNUAL AMOUNT | % OF PORTFOLIO |
|---|---------------------|----------------|
| Gross Interest Income | \$16,000,000 | 8.00% |
| Origination Fee Income (amortized) ⁶ | \$750,000 | 0.375% |
| Total Gross Income | \$16,750,000 | 8.375% |

⁶ Origination fees of 1.0 - 2.0% are recognized over the weighted average life of the loan on a straight-line basis.

10.3.3 Portfolio Expenses

| EXPENSE / RESERVE COMPONENT | ANNUAL AMOUNT | % OF PORTFOLIO |
|--|---------------|----------------|
| Servicing and Administration | (\$1,000,000) | 0.50% |
| Credit Loss Provision (base case) ⁷ | (\$500,000) | 0.25% |
| Platform Operating Costs | (\$1,500,000) | 0.75% |

| EXPENSE / RESERVE COMPONENT | ANNUAL AMOUNT | % OF PORTFOLIO |
|-----------------------------|----------------------|----------------|
| Total Expenses | (\$3,000,000) | 1.50% |

⁷ Base-case credit loss provision assumes a 5% annual owner default rate with 85% recovery through statutory lien enforcement.

10.3.4 Portfolio Net Returns

| RETURN METRIC | VALUE |
|---------------------------------------|---------------------|
| Net Income to Investors | \$13,750,000 |
| Net Yield to Investors | 6.875% |
| Platform Retained Income | \$3,000,000 |
| Total Return (portfolio IRR, modeled) | 8.0 - 10.0% |

10.4 Portfolio Cash Flow Waterfall

All assessment collections are received into a segregated lockbox account and distributed in the following order of priority:

| PRIORITY | DISTRIBUTION | DESCRIPTION |
|----------|--|--|
| 1 | Gross Assessment Collections | Monthly assessment payments received into lockbox from all Associations in the Portfolio |
| 2 | Less: Delinquent / Uncollected Amounts | Estimated at 2.5% of gross collections under base-case assumptions ⁸ |
| 3 | Net Available for Distribution | Gross collections less delinquency losses |
| 4 | Senior Debt Service | Interest and scheduled principal payments to senior noteholders |
| 5 | Servicing Fee | 0.50% per annum of outstanding portfolio balance, paid monthly |
| 6 | Debt Service Reserve Replenishment | If reserve has been drawn, replenished to required level (6 months of debt service) before subordinate distributions |
| 7 | Platform Operating Costs | Technology, personnel, legal, compliance, and administrative costs |

| PRIORITY | DISTRIBUTION | DESCRIPTION |
|----------|------------------------------|---|
| 8 | Residual to Equity Investors | Remaining cash flow distributed to equity holders |

⁸ Net of recoveries through statutory lien enforcement. The lockbox structure ensures that collections are not commingled with Association operating funds.

10.5 Fee Structure

| FEE | AMOUNT | PAID BY | TIMING |
|-----------------------------|----------------------------|--------------------------------------|------------------|
| Origination Fee | 1.0 - 2.0% of loan amount | The Association (from loan proceeds) | At closing |
| Servicing Fee | 0.25 - 0.50% per annum | Deducted from collections | Monthly |
| Construction Inspection Fee | \$2,500 - \$5,000 per draw | The Association (from loan proceeds) | Per draw request |
| Late Payment Fees | Per FL Statute 718.116(3) | Delinquent unit owners | As incurred |

10.6 Sensitivity Analysis: Default Rate vs. Net Investor IRR

The following table presents modeled Portfolio returns across a range of annual owner default rates. Recovery rates are assumed to decline concurrently with rising defaults, reflecting the increased difficulty and cost of lien enforcement under systemic stress conditions.

| ANNUAL OWNER DEFAULT RATE | RECOVERY RATE ⁹ | NET COLLECTION RATE | NET YIELD | PORTFOLIO IRR |
|---------------------------|----------------------------|---------------------|-----------|---------------|
| 5% (base case) | 85% | 97.5% | 7.25% | 9.2% |
| 10% | 75% | 92.5% | 6.50% | 8.1% |
| 15% | 65% | 89.8% | 5.90% | 7.2% |
| 20% | 60% | 88.0% | 5.40% | 6.5% |
| 25% | 55% | 86.3% | 4.90% | 5.8% |
| 30% | 50% | 85.0% | 4.50% | 5.2% |

| ANNUAL OWNER DEFAULT RATE | RECOVERY RATE ⁹ | NET COLLECTION RATE | NET YIELD | PORTFOLIO IRR |
|--------------------------------|-------------------------------|------------------------|--------------|------------------|
| 38% (break-even) ¹⁰ | 45% | 79.1% | 0.00% | 0.0% |

⁹ Recovery rate represents the percentage of defaulted amounts ultimately collected through statutory lien enforcement, foreclosure, or negotiated settlement. Recovery rates are modeled to decline with increasing default rates due to market-wide stress effects on property values and enforcement timelines.

¹⁰ Break-even delinquency rate represents the annual owner default rate at which net investor returns reach zero, assuming concurrent decline in recovery rates. This exceeds the worst historical performance observed in any Florida condominium market cycle, including the 2008-2011 period.

Key Finding: The Portfolio generates positive investor returns at default rates up to 30%, which is 10 percentage points above the worst-case historical delinquency rate observed in South Florida during the 2008-2011 period (~20%). The break-even default rate of 38% provides an additional margin of safety of 18.2 percentage points above worst historical experience.

10.7 Stress-Case LTV Scenario

The following analysis models Portfolio loan-to-value ratios under a severe property value decline of 30%, which exceeds the approximately 25% peak-to-trough decline observed in the South Florida condominium market during the 2008-2011 period. ¹¹

| BUILDING TYPE | LOAN AMOUNT | LAND + IMPROVEMENTS VALUE | LTV | STRESSED VALUE (-30%) | STRESSED LTV |
|-------------------------------|----------------|---------------------------------|-------|-----------------------------|-----------------|
| Coastal high-rise (200 units) | \$10M | \$65M | 15.4% | \$45.5M | 22.0% |
| Mid-rise inland (120 units) | \$6M | \$25M | 24.0% | \$17.5M | 34.3% |
| Large complex (400 units) | \$20M | \$85M | 23.5% | \$59.5M | 33.6% |
| Older coastal (100 units) | \$8M | \$20M | 40.0% | \$14.0M | 57.1% |

| BUILDING TYPE | LOAN AMOUNT | LAND + IMPROVEMENTS VALUE | LTV | STRESSED VALUE (-30%) | STRESSED LTV |
|-----------------------------------|---------------|---------------------------|--------------|-----------------------|--------------|
| Portfolio weighted average | \$200M | \$900M | 22.2% | \$630M | 31.7% |

¹¹ Source: S&P/Case-Shiller Miami Home Price Index, peak (December 2006) to trough (March 2011). Condominium-specific indices showed somewhat larger declines; the 30% stress applied here is intended to represent a conservatively severe scenario.

Key Finding: Even under a 30% property value decline -- exceeding the peak-to-trough decline observed in South Florida during 2008-2011 -- the Portfolio weighted-average LTV remains below 32%, providing a substantial equity cushion. The most stressed segment (older coastal buildings at 57.1% LTV) still maintains significant collateral coverage. The Borrower's statutory lien priority further enhances effective recovery prospects beyond what LTV alone suggests.

10.8 Break-Even Delinquency Analysis

The following analysis quantifies the collection rate required for the Portfolio to meet all debt service and operating obligations, and the implied delinquency rate at which investor returns reach zero.

| COMPONENT | ANNUAL AMOUNT | SOURCE / BASIS |
|---|---------------------|--|
| Annual debt service requirement | \$16,000,000 | 8.0% coupon on \$200M portfolio |
| Servicing and platform costs | \$3,000,000 | 1.50% of portfolio (see Section 10.3.3) |
| Total required collections | \$19,000,000 | |
| Gross annual assessment collections at 100% | \$24,000,000 | Modeled gross collections across 25 Associations ¹² |

¹² Gross collections include principal, interest, and fee components assessed to unit owners across all Associations in the Portfolio.

| BREAK-EVEN METRIC | VALUE |
|--|---|
| Break-even collection rate | 79.1% (\$19.0M / \$24.0M) |
| Implied break-even delinquency rate ¹³ | 38.2% (assuming 45% recovery on defaults) |
| Historical worst-case delinquency (2008-2011 severe recession) | ~20% |
| Margin of safety above worst historical experience | 18.2 percentage points |

¹³ The break-even delinquency rate is the default rate at which, after applying the assumed recovery rate on defaulted amounts, net collections equal the minimum required to service all Portfolio obligations. At this level, equity investors receive zero return but suffer no loss of principal from operations.

Margin of Safety: The Portfolio can sustain an annual delinquency rate of 38.2% before investor returns are eliminated -- 18.2 percentage points above the worst delinquency rate observed in any Florida condominium market during the 2008-2011 financial crisis. This margin reflects the structural protections inherent in the assessment-backed lending model, including statutory lien priority, lockbox collection mechanisms, and the essential-service nature of the underlying repairs.

10.9 Comparison to Alternative Fixed-Income Investments

The Portfolio's risk-adjusted return characteristics are presented below relative to comparable fixed-income asset classes. This comparison is provided for context and does not constitute an opinion on relative value.

| ASSET CLASS | TYPICAL YIELD (2026 EST.) | CREDIT RISK | COLLATERAL | LIQUIDITY |
|----------------------------------|---------------------------|---------------|---------------------|---------------|
| US Treasury (10-year) | 4.2 - 4.5% | Risk-free | Full faith & credit | Highly liquid |
| Investment-Grade Corporate Bonds | 5.0 - 5.5% | Low-moderate | Unsecured | Liquid |
| High-Yield Corporate Bonds | 7.0 - 8.5% | Moderate-high | Unsecured | Moderate |

| ASSET CLASS | TYPICAL YIELD (2026 EST.) | CREDIT RISK | COLLATERAL | LIQUIDITY |
|---|---------------------------|---------------------|--|------------------------------------|
| Commercial Mortgage (CMBS) | 6.5 - 8.0% | Moderate | Real property | Moderate |
| Private Credit / Direct Lending | 8.0 - 12.0% | Moderate-high | Varies | Illiquid |
| The Portfolio (Assessment Loans) | 8.0 - 10.0% | Low-moderate | Statutory liens + real property | Illiquid (hold to maturity) |

The Portfolio offers a yield premium of 350 - 550 basis points over investment-grade corporate bonds and 100 - 200 basis points over CMBS, while providing statutory collateral protections that are structurally superior to unsecured corporate obligations and comparable to secured commercial mortgages. The primary trade-off is liquidity: these are hold-to-maturity investments without a liquid secondary market, although the platform is evaluating securitization structures that may provide future liquidity options. ¹⁴

¹⁴ Yield comparisons are based on market data as of Q4 2025 and are indicative only. No assurance is given that such spreads will persist.

10.10 Scalability

The unit economics of the platform improve with scale. At \$500 million in portfolio size (approximately 60 - 70 Associations), platform operating costs as a percentage of portfolio decline to approximately 0.40%, increasing net investor yields by approximately 35 basis points relative to the initial 25-building portfolio. At \$1 billion, the economics support institutional-grade infrastructure including dedicated servicing, legal, and asset management capabilities that are expected to further enhance portfolio performance.

The total addressable market of \$3 - 10 billion in the tri-county area alone provides substantial runway for portfolio growth without compromising underwriting standards or geographic diversification requirements. ¹⁵

¹⁵ Addressable market estimate based on the number of condominium associations in Miami-Dade, Broward, and Palm Beach counties with buildings over 25 years old that are subject to milestone inspection and structural reserve requirements under SB 4-D and HB 1021. See Chapter 3 for detailed market sizing methodology.

All projections, estimates, and forward-looking statements contained in this chapter are based on assumptions that the platform believes to be reasonable but that are inherently uncertain. Actual results may differ materially from those projected. Investors should review the risk factors discussed in Chapter 7 and consult their own financial, legal, and tax advisors before making any investment decision. Past performance of comparable asset classes is not indicative of future results.

Chapter 11: Regulatory Tailwinds

Mandatory Demand Is the Best Kind of Demand

In most lending markets, demand is a function of economic conditions, borrower confidence, and discretionary investment decisions. The condominium assessment lending market is fundamentally different: demand is driven by statute. Buildings must comply with SB 4-D. Boards must fund SIRS reserves. Inspections must occur. Repairs must be performed. There is no opt-out. This statutory mandate creates a demand profile that is uniquely insulated from the economic cycles that affect other lending markets.

SB 4-D: The Demand Engine

The key provisions of SB 4-D that drive mandatory demand have been detailed in Chapter 2. From an investment perspective, the critical features are:

- **Non-discretionary compliance:** Buildings that fail to complete milestone inspections face enforcement actions including orders to vacate. Boards that fail to fund SIRS reserves face personal liability. These are not theoretical risks; enforcement actions are actively being pursued by local building officials across the tri-county area.
- **Time-bound obligations:** The statute establishes specific compliance deadlines tied to building age. This creates a predictable pipeline of buildings entering the compliance process over the next decade, with the heaviest concentration in the 2025-2028 period as the initial wave of over-30-year buildings works through inspections and remediation.
- **No grandfather exemptions:** The law applies to all buildings meeting the age and height criteria, regardless of when they were built or how well they have been maintained. Even buildings with strong reserve balances must complete milestone inspections and SIRS.
- **Recurring cycle:** Milestone inspections recur every 10 years, and SIRS must be updated periodically. The demand for capital is not a one-time event but a perpetual obligation that creates ongoing lending opportunities.

The End of Reserve Waivers

The elimination of the reserve waiver option on January 1, 2026, deserves special emphasis. For decades, the waiver provision was the escape valve that allowed associations to operate with chronically inadequate reserves. Owners voted to waive reserves because the alternative, higher monthly fees, was politically unpalatable. Boards complied because the law permitted it.

That escape valve is now permanently closed. Every association in Florida must fully fund the reserves identified in its SIRS, starting with the first fiscal year after the study is completed. For the hundreds of buildings that have operated with minimal reserves for 20-30 years, the immediate financial impact is severe:

- Monthly maintenance fees must increase to fund reserve contributions that were previously waived
- The transition from 20% funded to 100% funded reserves represents an enormous step-up in monthly costs
- Buildings that need immediate repairs cannot wait for reserves to accumulate; they need capital now

This combination of accumulated deferred maintenance and mandatory forward-looking reserve funding is the primary driver of capital demand that CondoLend is positioned to serve.

The Insurance Crisis as a Reinforcing Factor

Florida's property insurance market has been in crisis for several years, with carriers withdrawing from the state, premiums increasing 50-300%, and Citizens Property Insurance (the state insurer of last resort) growing to become the largest property insurer in Florida. The insurance crisis intersects with the condominium assessment market in several ways that reinforce demand for CondoLend's product:

- **Insurers are conditioning coverage on repairs.** Multiple carriers have issued notices to associations that policy renewals are contingent on completion of identified structural repairs within specified timeframes. Buildings that cannot demonstrate progress on milestone inspection remediation face policy cancellation.
- **Premium reductions incentivize repairs.** Buildings that complete structural restoration projects typically see meaningful reductions in insurance premiums, creating an economic return on the repair investment that partially offsets the cost of the assessment.
- **Uninsured buildings are unmarketable.** Without adequate property insurance, mortgage lenders will not finance unit purchases. The practical effect

is that buildings without insurance become cash-only markets, with corresponding reductions in unit values of 20-40%.

The insurance market dynamic creates additional urgency for boards to complete repairs, which in turn accelerates demand for the capital to fund those repairs.

Federal Policy Changes

The federal government has taken notice of the condominium safety crisis, and its policy responses are further supporting the demand environment:

Fannie Mae Condo Project Standards

Fannie Mae updated its Selling Guide in 2022 and 2023 to require more rigorous review of condominium project eligibility. Lenders making loans on units in condo projects must now verify that the association has completed required structural inspections, is adequately funded for reserves, and does not have unresolved safety violations. Projects that fail these requirements lose Fannie Mae eligibility, making conventional mortgage financing unavailable for units in those buildings.

FHA Condominium Approval Process

The Federal Housing Administration similarly tightened its condo project approval standards, with specific inquiries about structural inspection compliance, reserve adequacy, and litigation exposure. FHA-insured loans are particularly important for first-time and lower-income buyers, and the loss of FHA eligibility disproportionately affects buildings with affordable unit prices, exactly the buildings where owners are least able to self-fund assessments.

HUD and Congressional Attention

The Department of Housing and Urban Development has convened working groups on condominium safety, and several congressional initiatives have been proposed to provide federal support for condo building safety improvements. While no federal program currently exists to fund condominium assessments, the policy direction suggests that federal attention to this issue will continue to grow, potentially creating additional capital sources that complement private lending.

Other States Following Florida's Lead

Florida's SB 4-D was the first comprehensive condominium structural safety law in the nation, but it is not the last. The Surfside tragedy catalyzed legislative action in multiple states:

- **Colorado:** Passed HB 24-1339 in 2024, requiring structural inspections for condominium buildings based on age and creating reserve funding requirements similar to Florida's SIRS.
- **Maryland:** Introduced the Maryland Condominium Safety Act, modeled closely on SB 4-D, with milestone inspection requirements for buildings over 25 years old in the Baltimore-Washington corridor.
- **Virginia:** The Virginia Housing Commission recommended legislation requiring structural reserve studies for aging condominiums, with action expected in the 2026-2027 legislative session.
- **Illinois:** Proposed amendments to the Illinois Condominium Property Act would require structural inspections for buildings over 30 years in the Chicago metropolitan area, where thousands of aging condo buildings face similar deferred maintenance challenges.
- **New York:** Local Law 11 already requires facade inspections for buildings over 6 stories in New York City. Post-Surfside proposals would extend structural inspection requirements statewide and add reserve funding mandates.
- **Hawaii:** The Hawaii legislature is considering inspection requirements for aging resort and residential condominiums, particularly on Oahu where the building stock parallels South Florida's age profile.
- **California:** Pending legislation would require seismic and structural assessments for coastal multi-family buildings, with reserve funding provisions similar to Florida's approach.
- **New Jersey:** Shore-area condominium buildings are the subject of proposed inspection mandates in the state legislature.

Each of these markets represents a potential expansion opportunity for the CondoLend platform. The lending model is inherently transferable: wherever statute creates mandatory inspection and repair requirements for condominium buildings, the same assessment-secured lending structure can be deployed with modifications for local law.

The Regulatory Moat

From an investment perspective, the regulatory environment creates what amounts to a structural moat around the opportunity:

1. **Demand is legislated, not market-dependent.** Economic cycles may affect collection rates, but they do not affect the requirement to inspect, repair, and fund reserves.
2. **Supply of capital is constrained.** Traditional lenders are not structured to serve this market, and the regulatory complexity creates barriers to entry for new entrants without specialized expertise.
3. **The regulatory trend is accelerating, not moderating.** No state legislature is likely to repeal structural safety requirements after Surfside. The only policy direction is more stringent requirements, broader applicability, and stricter enforcement.
4. **Federal policy amplifies state requirements.** Fannie Mae and FHA eligibility standards create additional financial pressure on associations to comply, reinforcing the demand for capital to fund compliance.

This combination of mandatory demand, constrained supply, and regulatory intensification creates a durable market opportunity that is unlikely to be disrupted by economic cycles, competitive entry, or policy reversal.

Regulatory Durability & Political Risk Assessment

1. Risk of SB 4-D Repeal or Dilution

Legislative History and Political Realities

Florida's SB 4-D passed with overwhelming bipartisan support in the immediate aftermath of the Champlain Towers South collapse: unanimous in the Florida Senate and near-unanimous in the House. The legislation was a direct response to 98 deaths and represents the state's commitment to preventing another catastrophic structural failure.

Political Risk Assessment: Any legislator voting to repeal or materially weaken SB 4-D faces immediate vulnerability to "voting to allow another Surfside" messaging in subsequent elections. This creates a powerful political deterrent against rollback efforts.

Historical precedent supports durability: no U.S. state has repealed structural safety legislation enacted in response to a mass-casualty building failure. Post-tragedy safety mandates tend to become permanent features of the regulatory landscape, with subsequent modifications typically expanding rather than contracting requirements.

Partial Dilution Scenarios

The most realistic form of regulatory change is timeline extension rather than mandate elimination. Florida has already granted compliance extensions for certain building categories, reflecting legislative responsiveness to implementation challenges. However, the core requirements—structural inspections and reserve funding for identified deficiencies—have remained intact through all amendments.

This distinction is critical for investment analysis: timeline adjustments may slow the pace of assessment funding but do not eliminate the underlying need. Buildings still require inspections, engineers still identify structural issues, and associations still need capital to address findings.

Insurance Market Overlay

Even in a scenario where SB 4-D were materially weakened, the insurance market now operates as an independent enforcement mechanism. Property and casualty carriers in Florida, having experienced multiple insolvencies and massive loss events, have fundamentally restructured their underwriting criteria. Structural inspections and adequate reserve funding are now standard conditions of coverage renewal, independent of statutory requirements.

Buildings that cannot demonstrate structural soundness face non-renewal or prohibitive premium increases. Without adequate insurance, individual units become unmarketable, as mortgage lenders require insurance as a condition of financing. This creates a market-driven mandate that parallels and reinforces statutory requirements.

Federal Secondary Market Overlay

Fannie Mae and FHA have both tightened condominium project approval standards post-Surfside, requiring detailed disclosures of structural issues, deferred maintenance, pending litigation, and special assessments. Buildings that cannot demonstrate compliance with structural safety standards face difficulty obtaining federal backing for unit-level mortgages, reducing marketability and depressing property values.

This federal overlay means that even a weakening of state law would not remove the underlying market pressure for structural compliance. Associations would still need to meet federal standards to maintain unit marketability and property values.

Conclusion: Core demand drivers for structural assessment and repair financing persist even under a partial regulatory rollback scenario. The convergence of state law, insurance requirements, and federal lending standards creates multiple independent paths sustaining demand.

2. Insurance Market as Independent Demand Driver

Florida Property Insurance Crisis

Florida's property insurance market has experienced severe distress over the past five years. Seven carriers declared insolvency between 2020 and 2023, removing billions of dollars in coverage capacity from the market. Remaining carriers have implemented premium increases of 40-60% while simultaneously tightening underwriting standards and reducing exposure.

This market restructuring has fundamentally altered the relationship between insurers and condominium associations. Carriers now routinely condition policy renewals on completion of milestone inspections, adherence to engineer-recommended repair timelines, and demonstration of adequate reserve funding. Buildings that fail to meet these criteria face non-renewal regardless of statutory compliance status.

Citizens Property Insurance Corporation

Citizens Property Insurance Corporation, Florida's state-backed insurer of last resort, has implemented equally stringent underwriting standards. As the residual market carrier, Citizens historically accepted properties rejected by private insurers, but post-Surfside reforms have tightened eligibility criteria to include structural soundness requirements and reserve adequacy assessments.

Buildings that cannot obtain coverage from either private carriers or Citizens face a marketability crisis: mortgage lenders require insurance as a condition of financing, and unit purchases in uninsured buildings become effectively impossible for leveraged buyers. This creates an existential threat to property values that associations cannot ignore.

Insurance-Driven Enforcement

The insurance market now operates as a private-sector enforcement mechanism for structural safety standards that is independent of, and in many cases more stringent than, statutory requirements. Carriers have no political constraints on their underwriting criteria and respond purely to actuarial risk assessments and loss experience.

Net Effect: The insurance market independently enforces the same building standards as SB 4-D, creating a parallel demand driver that persists regardless of legislative changes. This structural shift in the insurance market represents a permanent feature of the Florida condominium landscape.

3. Federal Regulatory Direction

HUD Condominium Rule Updates

The U.S. Department of Housing and Urban Development (HUD) updated its condominium project approval standards following the Surfside collapse, incorporating enhanced requirements for structural assessment disclosures and reserve fund adequacy. These changes apply to all FHA-insured mortgages in condominium projects and represent a federal overlay on state-level regulation.

Fannie Mae Enhanced Due Diligence

Fannie Mae has expanded its condominium project questionnaire to require detailed disclosure of:

- Structural issues identified in engineering reports
- Deferred maintenance items and timelines for completion
- Pending or anticipated special assessments
- Litigation related to construction defects or structural deficiencies
- Reserve fund adequacy and funding plans

Projects that cannot demonstrate compliance with these requirements face difficulty obtaining Fannie Mae approval, which restricts access to conventional mortgage financing for unit buyers. This approval process creates a federal-level incentive for associations to maintain structural compliance and adequate reserves.

FHA Project Approval Guidelines

The Federal Housing Administration has similarly revised its project approval guidelines to incorporate structural compliance requirements. FHA now requires evidence of adequate reserves, completion of required inspections, and adherence to engineer-recommended repair timelines as conditions of project approval.

Given the importance of FHA financing to first-time homebuyers and moderate-income purchasers, loss of FHA approval materially reduces the pool of potential buyers for condominium units, directly impacting property values and unit marketability.

Congressional Attention

Multiple congressional committees have held hearings on condominium safety in the wake of Surfside, with bipartisan interest in potential federal structural inspection standards or reserve funding requirements. While no federal legislation has yet been enacted, the policy trajectory is clearly toward stricter requirements rather than relaxation.

Net Effect: Federal policy is moving toward stricter condominium safety standards, not relaxation. This creates a regulatory floor that limits the impact of any potential state-level weakening of requirements.

4. Multi-State Expansion of Similar Legislation

The Surfside collapse catalyzed legislative action across multiple states, with jurisdictions enacting or proposing condominium safety reforms modeled on Florida's approach. This multi-state trend demonstrates that structural assessment and reserve funding requirements are becoming a national norm rather than a Florida-specific phenomenon.

| STATE | LEGISLATION | YEAR | KEY PROVISIONS |
|------------|-----------------------------|---------|---|
| Colorado | HB 22-1137 | 2022 | Structural inspection mandate for condominium buildings; reserve study requirements |
| Maryland | HB 893 (Proposed) | 2024 | Reserve study and structural inspection requirements for condominium associations |
| Virginia | SB 1453 | 2024 | Mandatory reserve studies for homeowners associations; structural assessment provisions |
| Illinois | SB 2979 (Proposed) | 2024 | Structural safety inspections for high-rise condominium buildings |
| New York | A5788 / S4728 (Proposed) | 2024 | Expansion of facade inspection program to include structural components |
| Hawaii | HB 2463 | 2024 | Structural inspection requirements for condominium buildings; reserve funding mandates |
| California | Existing Requirements | Ongoing | Seismic retrofit requirements for pre-1978 buildings; mandatory reserve studies |

| STATE | LEGISLATION | YEAR | KEY PROVISIONS |
|------------|----------------------|------|---|
| New Jersey | Proposed Legislation | 2024 | Structural safety legislation modeled on Florida SB 4-D framework |

This legislative trend creates significant expansion opportunities for CondoLend's business model beyond Florida. As more states adopt structural inspection and reserve funding mandates, the addressable market for assessment financing grows proportionally. The multi-state adoption pattern also validates the durability of the regulatory framework: condominium safety reform is becoming a national movement rather than a temporary or jurisdiction-specific response.

5. Structural Durability of Demand

Three Independent Demand Drivers

CondoLend's market opportunity is sustained by three independent demand drivers, any one of which is sufficient to maintain robust market demand:

1. **Statutory Mandate:** SB 4-D and similar state legislation directly requiring structural inspections and reserve funding
2. **Insurance Market Requirements:** Private-sector enforcement through underwriting criteria and policy renewal conditions
3. **Federal Secondary Market Standards:** Fannie Mae and FHA project approval requirements conditioning mortgage availability on structural compliance

Risk Scenario Analysis

The following matrix illustrates demand persistence across various regulatory scenarios:

| SCENARIO | SB 4-D STATUS | INSURANCE REQUIREMENTS | FEDERAL STANDARDS | MARKET DEMAND |
|---------------------|-------------------------------|------------------------|-------------------|--|
| Base Case | Maintained | Maintained | Maintained | High - All three drivers active |
| Partial Dilution | Weakened (timelines extended) | Maintained | Maintained | High - Insurance and federal drivers sufficient |
| Insurance Softening | Maintained | Relaxed | Maintained | High - Statutory and federal drivers sufficient |

| SCENARIO | SB 4-D STATUS | INSURANCE REQUIREMENTS | FEDERAL STANDARDS | MARKET DEMAND |
|----------------------|---------------|------------------------|-------------------|---|
| Federal Rollback | Maintained | Maintained | Relaxed | High - Statutory and insurance drivers sufficient |
| Coordinated Rollback | Repealed | Relaxed | Relaxed | Moderate - Market-driven demand persists for older/distressed properties |

Key Finding: Demand remains robust in all scenarios except a coordinated rollback of state law AND insurance requirements AND federal standards simultaneously. This scenario has near-zero probability given the independent nature of these regulatory domains and the structural factors driving insurance market behavior.

Structural Factors Supporting Demand Durability

Beyond formal regulatory requirements, several structural factors ensure continued demand for condominium assessment financing:

- **Ageing Building Stock:** Florida's condominium inventory continues to age, with thousands of buildings entering the 30-50 year range where structural issues become prevalent. This demographic trend is independent of regulatory requirements.
- **Climate Factors:** Coastal exposure, saltwater corrosion, and hurricane impacts create ongoing structural maintenance needs that persist regardless of legislative changes.
- **Market-Driven Demand:** Unit buyers and sellers increasingly expect structural inspections and adequate reserves as standard due diligence, creating market pressure independent of formal requirements.
- **Litigation Risk:** Board members face personal liability exposure for failing to address known structural deficiencies, creating incentives for proactive compliance regardless of statutory mandates.

Investment Implications

The multi-layered nature of demand drivers provides significant downside protection for CondoLend's business model. Unlike regulatory arbitrage opportunities that depend on a single legislative framework, CondoLend operates at the intersection of statutory requirements, insurance market dynamics, federal lending standards, and fundamental building lifecycle economics.

This structural durability supports a long-term investment horizon and reduces political risk to acceptable levels for institutional capital deployment. The convergence of independent regulatory and market forces creates a robust, defensible market opportunity that can sustain multiple financing platforms and significant capital deployment over a multi-year investment period.

Chapter 12: Getting Started with CondoLend

For Board Leaders: How to Apply

CondoLend is designed to work within the timeline and decision-making process that condominium boards already follow. The application process is straightforward and can be initiated at any stage of the SB 4-D compliance process.

Step 1: Initial Inquiry

Contact CondoLend to schedule an introductory call. During this 30-minute conversation, our team will assess your building's preliminary eligibility based on basic information: building age, unit count, county, and the nature and estimated cost of the required repairs. There is no cost and no obligation for this initial assessment.

Step 2: Documentation Package

If the building appears to be a good fit, CondoLend will request the following documentation to begin formal underwriting:

- **Milestone Inspection Report** (Phase 1 and Phase 2 if applicable)
- **Structural Integrity Reserve Study (SIRS)**
- **Contractor estimates** for the identified repair scope (minimum two competitive bids)
- **Association financial statements** for the most recent three fiscal years (audited preferred)
- **Current year operating budget**
- **Assessment collection history** for the most recent 24 months, including delinquency aging
- **Declaration of Condominium** and current bylaws
- **Current insurance declarations page** (property, liability, D&O)
- **Unit count and ownership breakdown** (owner-occupied vs. investor-owned, if available)
- **Pending or recent litigation summary**

Most associations will have these documents readily available or can obtain them from their management company. CondoLend's intake team will work with your property manager to compile the package efficiently.

Step 3: Underwriting and Term Sheet

Upon receipt of the complete documentation package, CondoLend's underwriting team typically delivers a term sheet within 15-20 business days. The term sheet specifies the loan amount, interest rate, term, collateral requirements, and all material conditions. The board and its legal counsel review the term sheet and may negotiate specific terms.

Step 4: Board Approval and Closing

The board votes to accept the loan terms pursuant to the notice and voting requirements in the association's governing documents. CondoLend's legal team prepares the loan documentation, which is reviewed by the association's counsel. Closing typically occurs within 30 days of board approval.

What to Expect After Closing

Upon closing, CondoLend funds the initial construction draw and the debt service reserve. The board levies the special assessment and begins monthly collections. The association's management company or CondoLend's servicing platform handles the payment processing, delinquency tracking, and monthly reporting. Construction proceeds according to the approved schedule, with draws released upon verification of completed milestones.

For Investors: Participation Structures

CondoLend offers multiple participation structures to accommodate different investor profiles, return expectations, and regulatory requirements:

Direct Loan Participation

Qualified institutional investors and accredited individuals may participate directly in individual loans. The investor funds a specific building's loan (or a portion thereof) and receives a direct interest in the assessment receivables and collateral package. This structure provides maximum transparency and control but requires active selection and monitoring of individual building investments.

- **Minimum investment:** \$500,000 per loan participation
- **Target return:** 8-10% gross yield
- **Term:** Matches the underlying loan (10-15 years)
- **Reporting:** Monthly collection reports, quarterly financial reviews

Portfolio Fund

CondoLend's managed fund invests across a diversified portfolio of 20-50 building loans, providing automatic diversification across geography, building type, and risk tier. The fund structure is designed for investors who prefer a managed approach without individual loan selection.

- **Minimum investment:** \$250,000
- **Target return:** 7-9% net to investors
- **Distribution:** Quarterly cash distributions from portfolio collections
- **Term:** Open-ended with quarterly redemption provisions (subject to liquidity constraints)
- **Reporting:** Monthly NAV statements, quarterly portfolio performance reports, annual audited financials

Institutional Co-Investment

For institutional investors deploying \$10 million or more, CondoLend offers customized co-investment structures including separately managed accounts, preferred return tranches, and co-origination arrangements. These structures are negotiated individually to meet the investor's specific return, risk, and reporting requirements.

Contact Information

CondoLend Capital

[INSERT: Company Address]

[INSERT: Phone Number]

[INSERT: Email Address]

[INSERT: Website URL]

For Board Inquiries: [INSERT: Board Inquiry Email]

For Investor Relations: [INSERT: Investor Relations Email]

For Media: [INSERT: Media Contact Email]

Frequently Asked Questions

Q: Does my building need to have completed its milestone inspection before applying?

A: No. You can begin the inquiry process at any stage. However, CondoLend cannot issue a binding term sheet without a completed milestone inspection report (Phase 1, and Phase 2 if triggered) and at least one contractor estimate for the identified repair scope. If your building has not yet begun the inspection process, CondoLend can provide guidance on selecting qualified engineers and navigating the inspection timeline.

Q: Does every unit owner need to agree to the loan?

A: No. The loan is an association-level obligation approved by the board of directors. Under Florida Statute Section 718.111, the board has the authority to enter into contracts and incur obligations on behalf of the association. The corresponding special assessment may require membership approval depending on your declaration and bylaws, but individual unit owners do not need to qualify for or consent to the loan individually.

Q: What happens if an individual owner cannot pay their assessment?

A: The association has the same statutory collection rights for CondoLend-funded assessments as for any other assessment: demand letters, late fees, interest at the statutory rate (up to 18% per annum), lien filing, and ultimately foreclosure. CondoLend's servicing platform provides the association with collection support, including automated demand letters and coordination with collection counsel. The debt service reserve funded at closing provides a cash flow buffer to absorb temporary delinquencies without affecting loan payments.

Q: Can the loan be prepaid if the building sells or refinances?

A: Yes, subject to the prepayment provisions in the loan agreement. Typically, there is a 2-3 year lockout period during which prepayment is not permitted (corresponding to the construction period), followed by a declining prepayment premium (e.g., 3% in year 4, 2% in year 5, 1% in year 6, and par thereafter). If the building terminates its condominium status or sells the property, the loan must be repaid in full from the sale proceeds.

Q: How does this affect our Fannie Mae / FHA project approval status?

A: Completing the repairs funded by a CondoLend loan should improve, not impair, your building's eligibility for Fannie Mae and FHA project approval. Both agencies evaluate whether the association has addressed identified structural deficiencies and is adequately funding reserves. A building that has completed its SB 4-D compliance repairs and is current on its SIRS-funded reserve contributions is a stronger candidate for project approval than one that has deferred repairs due to lack of funding.

Q: What if our building has existing litigation or pending insurance claims?

A: Existing litigation and insurance claims are evaluated as part of the underwriting process. They do not automatically disqualify a building, but they may affect loan structure and terms. CondoLend's legal team will review all pending matters and assess their potential impact on the building's financial position and the collateral package. In some cases, insurance claim proceeds may be assigned as additional collateral or applied to reduce the loan amount.

The condominium assessment crisis in South Florida is real, it is urgent, and it demands solutions equal to its scale. CondoLend was built to provide those solutions: for the boards that must navigate an unprecedented compliance challenge, for the owners who need affordable financing to protect their homes, and for the investors who recognize that a market of this magnitude rewards those who move first with purpose and precision.

We look forward to working with you.

Appendix: Data Sources & Methodology

A. Primary Data Sources

| SOURCE | DATA PROVIDED | ACCESS METHOD | LAST UPDATED |
|---|---|---|----------------|
| FL DBPR Condominium Registry | Registered condo associations, SIRS reporting status | Public records download (condos.myfloridalicense.com) | Ongoing |
| Miami-Dade County Property Appraiser | Parcel data, year built, unit counts, assessed values | Public records (miamidade.gov/Apps/PA) | Annual |
| Miami-Dade 40-Year Recertification Portal | Recertification status for buildings 40+ years | wwwx.miamidade.gov/Apps/RER/carbr | Ongoing |
| Broward County Property Appraiser | Parcel data, year built, assessed values | Public records (bcpa.net) | Annual |
| Palm Beach County Property Appraiser | Parcel data, year built, assessed values | Public records (pbcpao.gov) | Annual |
| Miami-Dade GIS Open Data | Parcel shapefiles, geocoded building locations | gis-mdc.opendata.arcgis.com | Ongoing |
| US Census Bureau Geocoder | Batch address geocoding | geocoding.geo.census.gov | Ongoing |
| FL Division of Insurance | Insurance carrier solvency data, premium filings | floir.com | Annual |
| Community Associations Institute | Assessment collection performance data | caionline.org | Annual reports |

B. Modeled Assumptions & Footnotes

- **Building count (2,400):** Aggregated from three county PA databases, filtered for 3+ story condo buildings. Source: County property appraiser records, cross-referenced with FL DBPR registry.
- **Pct over 30 years (78%):** Year built data from county property appraiser records as of January 2026.
- **Total capital need (\$10-48B range):** Conservative estimate uses \$25K avg assessment x 400K units; severe uses \$100K x 475K units. Based on published engineering cost data from Morabito Consultants, WSP, and actual assessment figures from completed milestone inspections.
- **Assessment collection rates (93-98%):** Historical data from Community Associations Institute annual surveys (2018-2024) for Florida HOAs/condos in normal economic conditions.
- **18% statutory interest:** FL Statute 718.116(3) - applicable to delinquent assessments.
- **Super-lien priority (12 months):** FL Statute 718.116(1)(a) - limited first-priority status for most recent 12 months of assessments.
- **Worst-case delinquency (20%):** Based on 2008-2011 Florida condominium delinquency data from Federal Reserve Bank of Atlanta and CAI surveys.
- **Insurance carrier insolvencies:** FL Office of Insurance Regulation reports, 2020-2023.
- **Fannie Mae/FHA tightening:** Fannie Mae Selling Guide B4-2.2 (Condo Project Eligibility), HUD Handbook 4265.1.

C. Methodology Notes

- **Risk scoring methodology:** Weighted composite of five factors (age 25%, inspections 30%, violations 15%, reserves 20%, assessments 10%). Each scored 1-10 based on building-specific data. Methodology designed to identify relative risk within the addressable universe.
- **Financial projections:** Based on fully amortizing loan schedules at stated rates. Collection loss assumptions applied uniformly. No reinvestment income assumed on debt service reserves.
- **Property values:** Based on county property appraiser assessed values, adjusted to approximate market value using published assessment ratios.
- **Disclaimer:** All projections are forward-looking estimates based on available data and stated assumptions. Actual results may differ materially. This document does not constitute an offer to sell securities.