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Date: [Insert Date]

Loan Number: [Insert Loan Number]

Borrower Name: [Insert Borrower Name]

Property Address: [Insert Property Address]

Subject: Conditional Approval - Pending Litigation Exception (Non-Warrantable Condo)

Dear [Insert Borrower Name],

We are pleased to inform you that your mortgage application for the property mentioned above has been conditionally approved. This approval is subject to a "Non-Warrantable" status due to pending litigation involving the Homeowners Association (HOA).

To proceed toward a final approval, the following conditions regarding the litigation exception must be satisfied:

- **Litigation Documentation:** Provide a formal letter from the HOA's legal counsel or the HOA board detailing the nature of the lawsuit, the amount of damages sought, and the current status of the case.
- **Insurance Coverage:** Provide evidence that the HOA's liability insurance or "Directors and Officers" (D&O) insurance policy is sufficient to cover the potential judgment or settlement costs.
- **Impact Statement:** Documentation confirming that the litigation does not involve structural defects or issues that affect the safety, soundness, or habitability of the project.
- **Financial Reserve Review:** A review of the HOA's current budget and reserves to ensure sufficient funds are available to cover any potential deductibles or non-covered legal expenses.
- **Signed Acknowledgment:** Borrower must sign a formal "Non-Warrantable Condo Disclosure" acknowledging the risks associated with purchasing a unit in a project with pending litigation.

Please note that this conditional approval is not a commitment to lend. Final approval is subject to a satisfactory review of the items listed above, as well as any other standard underwriting conditions previously requested.

If you have any questions regarding these requirements, please contact your Loan Officer at [Insert Phone Number].

Sincerely,

[Insert Name]

[Insert Title]

[Insert Company Name]