



Proposed Changes to FHA's Condo Approval Policy

A new Mortgagee Letter on FHA's condo policies, which will amend Mortgagee Letter 2009-19, will be issued within the coming weeks. Below are highlights of the upcoming changes:

1. FHA concentration will remain at 50 percent.
 - a. In "well established" project, the concentration may go up to 100 percent.
 - b. "Well established" buildings show clear financial stability, including a minimum of 10 percent reserves, owner occupancy of 50 percent, and a transfer of title.
 - c. In the ML, HUD will provide an explicit definition of "established."
2. Owner Occupancy will remain at 50 percent.
 - a. REOs will be excluded altogether from calculation.
3. Pre-sale requirement will be 50 percent.
 - a. FHA will accept a spreadsheet from the developer as certification under the pre-sale requirement.
 - b. Additionally, FHA has created a specific document that developers must sign to certify that all of the information is accurate.
4. Temporary Certificate of Occupancies will be accepted.
5. All 40,000 + condo projects currently approved will remain approved
6. HUD Review and Approval Process (HRAP) is permissible in Florida.
7. The ML will clarify that under Direct Endorsement Lender Review and Approval Process (DELRAP), a lender is not responsible for another lender's approval process (specifically, additional project review is not required).
8. New ML will clarify that reserves should be at 10 percent, if not then a lender can request a reserve study.
9. New ML will add specific guidance on insurance (specifically, gap insurance).
10. Transfer of control requirements will be dictated by the state and local requirements.
11. New ML will clarify the definition of site condos.
12. New ML will clarify phasing requirements.