



# **F.H.A. CONDOMINIUM PROJECT APPROVALS**

## **ESTABLISHED CONDOMINIUM ELIGIBILITY REQUIREMENTS**

( as of January 2016 )

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- 1) 100% completed
- 2) 100% sold and in a re-sale status.
- 3) No one entity may own more than 50% of the units. NOTE that eligible non-profit and/or governmental housing programs are not subject to the 50% ownership limitation. This would include government programs designed to assist in low-to-moderate income rental housing that may be part of the condominium project.
- 4) Unit owners are in control of the condo board
- 5) At least 50% of the project must be owner occupied
- 6) No more than 25% of the project square footage can be non-residential / commercial. Any commercial space must be of a nature that is consistent with residential use of the project. Exceptions up to 50% can be considered on a case-by-case basis with additional information required.
- 7) No more than 15% of the units in the project can be delinquent on assessments more than 60 days.
- 8) Leasing restrictions: minimum lease terms of 30 days; documents may not allow for the condo association to approve a prospective tenant including but not limited to meeting creditworthiness standards.

Leasing restrictions may not include an exemption from leasing restrictions for a lender who takes title to a unit through foreclosure. It has been determined that this exemption is a violation of the National Housing Act, Section 513 which strictly prohibits the use of the FHA mortgage insurance program to support transient or hotel housing. Transient or hotel housing is defined as any lease term of less than 30 days. If a project's governing documents are found to contain this lender in foreclosure exemption FHA will require a certification from the condo association confirming that (a) there are no units currently leased for less than 30 days; and (b) the association does not offer any hotel-type services.

- 9) The annual condo budget must include at least 10% of the budget allocated to replacement reserves. The 10% allocation is based on the total annual budgeted expenses including reserves. Any lesser amount must be supported by a replacement reserve analysis less than 2 years old.
- 10) If there is any pending litigation or special assessments the application submission package must have a satisfactory explanation. If pending litigation is due to a lawsuit against a prior developer for construction defects FHA will require evidence of a settlement / dismissal; a detailed explanation of the defects; a copy of an engineer's report or inspection reports confirming that the work HAS BEEN COMPLETED. FHA is not likely to approve a project where repairs are still pending even if the money is in the bank to handle the repairs. This is a case by case review.
- 11) If the association has a loan outstanding a satisfactory explanation must be provided. FHA views projects with loans as a potential problem because it may reflect inadequate funding of reserves or other financial problems.
- 12) Right of First Refusal language ( if any ) in the documents may not violate discriminatory conduct under Fair Housing Act ( 24 CFR 100 ). The attorney for the condo association will be required to provide a certification.
- 13) Affordable Housing Deed Restricted Units, if any, must comply with 24 CFR 203.41 which are HUD's requirements for deed restrictions. An attorney for the condo association will be required to certify compliance with these provisions. If not compliant with HUD regulations, the deed restricted units will be excluded from the project approval and will be ineligible for FHA financing.
- 14) Project must be covered by hazard, flood (if applicable), liability, fidelity bond, etc. Project Support Services will review insurance policies to confirm compliance and make recommendations for bringing them into compliance. Please note that FHA requires projects that retain professional management to have the management company specifically named as an insured on the condo associations fidelity bond / crime policy or an endorsement that identifies the project manager as a covered employee under the associations crime policy.