

F.H.A. CONDOMINIUM PROJECT APPROVALS ESTABLISHED CONDOMINIUM ELIGIBILITY REQUIREMENTS

(as of October 15, 2019)



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- 1) 100% completed
- 2) 100% sold and in a re-sale status.
- 3) Unit owners are in control of the condominium board.
- 4) No more than 35% 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 49% can be considered on a case-by-case basis with additional information required.
- 5) At least 50% of the project must be owner occupied.
- 6) For Condominium Projects with 20 or more Units, the Individual Owner Concentration must be 10 percent or less. For Condominium Projects with fewer than 20 Units, the Individual Unit Owner may not own more than one unit. Individual Owner Concentration is defined as the percentage of Units owned by ***a single owner or related party to the single owner.***
- 7) No more than 15% of the units in the project can be delinquent on assessments more than 60 days.
- 8) The annual condo budget must include at least 10 percent of the aggregate monthly unit assessments allocated to replacement reserves. Any lesser amount must be supported by a replacement reserve analysis less than 36 months old. The Replacement Reserve Fund must be in an account separate from the operating fund account.
- 9) The Condominium Project must be insured to FHA standards as well as any applicable state and local condominium requirements. Coverage must include hazard, flood (if applicable), liability, fidelity bond, etc. Professional management companies retained by the condominium association must be either specifically named as an insured on the association's fidelity bond / crime policy or by an endorsement that identifies the property manager as a covered employee under the associations crime policy.
- 10) Leasing restrictions: the minimum lease term must be at least 30 days; legal documents may not allow for the condo association to approve a prospective tenant including, but not limited to, meeting creditworthiness standards.
Minimum lease term restrictions may not include an exemption for a lender who takes title to a unit through foreclosure as it 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 (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.
- 11) Affordable Housing Deed Restricted Units, if any, must comply with 24 CFR 203.41. An attorney for the condo association may be required to certify compliance with the Federal regulations. Non-compliant affordable housing deed restricted units will be excluded from the project approval and will be ineligible for FHA financing.
- 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 may be required to provide a certification.
- 13) If there is any pending litigation a satisfactory explanation must be provided. 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.
- 14) If the association has a loan outstanding or special assessments, satisfactory explanations must be provided. FHA views projects with loans as a potential problem because it may reflect inadequate funding of reserves or financial problems.