



F.H.A. CONDOMINIUM PROJECT APPROVALS

NEW CONDOMINIUM ELIGIBILITY REQUIREMENTS

(as of October 15, 2019)

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1. Condominium legal documents must be fully recorded, comply with all state & local laws.
2. ***All units must have Certificates of Occupancy.***
3. For a condominium project located in a FEMA designated 100-year flood plain HUD will require a Letter of Map Revision (LOMR) from FEMA.
4. No more than 35% of the project square footage can be non-residential / commercial. Exceptions up to 49% can be considered on a case-by-case basis with additional information required.
5. Projects that are subject to Affordable Housing deed restrictions must comply with the provisions of 24 CFR 203.41. Deed restrictions must terminate in the event of a unit foreclosure. If the terms of the deed restrictions do not meet FHA guidelines the condominium can still be approved but the designated restricted units will be excluded from the project approval and those units will not be eligible for FHA insured financing. In addition, the condominium legal documents must specifically identify those units that are deed restricted.
6. ***Additional leasing conditions*** - there can be no restrictions on “conveyance” with the term conveyance meaning selling or leasing a unit. FHA *does* allow a cap on the total number of non-owner-occupied units. There can be no provision that a tenant must pass a test by the condo board to rent a unit. The condo ***legal documents may not provide for any exceptions to the minimum 30 days lease term*** including provisions for the board of directors or a lender in foreclosure to be exempt from the provisions.
7. 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.
8. For new construction FHA will require that at least 30% of the units in the project (OR subject LEGAL PHASE if a phased new construction project) be under contract or closed to owner occupant purchasers in order for lenders to close and have loans insured. It will be up to the lender to certify to the owner occupancy / presale requirement at the time a closed loan is submitted for insurance endorsement.
9. ***Individual Owner Concentration*** - 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 refers to the percentage of Units owned by ***a single owner or related party to the single unit owner.***
10. Projects consisting of 4+ units will be limited to a maximum of 50% of the project encumbered with FHA financing. Projects consisting of 3 or less units will be limited to one (1) unit encumbered with FHA financing.
11. 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.
12. No more than 15% of the units in the project can be delinquent on assessments more than 60 days.
13. 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. Project Support Services will review insurance policies to confirm compliance and make recommendations for bringing them into compliance. A professional management company 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 project manager as a covered employee under the associations crime policy.
14. If there is any pending litigation satisfactory explanations must be provided. If pending litigation is due to a lawsuit 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.
15. If the association has a loan outstanding or special assessments a satisfactory explanation must be provided. FHA views projects with loans as a potential problem because it may reflect inadequate funding of reserves or financial problems.

ADDITIONAL REQUIREMENTS FOR CONDOMINIUM CONVERSIONS

1. The conversion to Condominium must be created and declared in one single phase. Legal phasing of a condo conversion is not permissible.
2. All work associated with the conversion (gut or non-gut) must be completed and evidence of completion provided by an engineer or architect dated within 12 months of the submission.
3. ***Non-gut conversions*** must have a current (less than 36 months old) reserve study prepared by a qualified, independent professional company is required along with an engineer's report that comments favorably on the structural integrity of the project and the age / life expectancy and replacement cost of major project components. If the report identifies any cost of replacement occurring within first 5 years the developer must pre-fund that amount into the condo association's replacement reserve account.