



PLAZA HOME MORTGAGE, INC.

FHA Condominium Guidelines

Effective with Case numbers assigned on or after December 7, 2009, FHA is implementing a new process for condominium projects. The two processes for project approvals are HUD approved (HRAP – HUD Review and Approval Process) and Direct Endorsement Lender approved (DELRAP – Direct Endorsement Lender Review and Approval Process)

Projects that are currently FHA Approved:

In addition, condominium projects that are currently approved by FHA will be eligible as follows:

- Project has been located on HUD's website as a currently approved Condo project.
- **FHA approved condo projects** can be searched at: <https://entp.hud.gov/idapp/html/condlook>.
- The FHA Approved Condo Certification has been completed and signed by the HOA representative and the Plaza Underwriter. Plaza must be able to certify that the project still meets the requirements of the original project approval with regards to owner occupancy, delinquency of HOA dues and whether there have been any special assessments or condo litigation in the project since the original FHA approval.
- Plaza Underwriter to sign the Attachment C from Mortgagee Letter 2009-46-B (Lender Certification for Individual Unit Financing).
- When the Master Insurance Policy does not include the interior unit coverage, including replacement of interior improvements the borrower must obtain a "walls in" coverage policy (HO-6 policy)
- If Flood Insurance is required the HOA, not the individual owner must obtain and maintain the coverage.

Approval Processing Outlines:

The processing options stated below are applicable to condominium projects that are:

- Proposed or Under construction
- Existing Construction
- Condominium Conversions

Direct Endorsement Lender Review and Approval Process - DELRAP:

- **PLAZA will NOT be participating in the DELRAP process at this time.** All FHA condo's are required to be currently approved or to be approved through the HRAP process

HUD Review and Approval Process – HRAP

- Projects submitted to FHA for HRAP approval must meet all of the following documentation requirements prior to submission
- **Temporary Guidelines referenced below are in effect for Case #'s issued between 12/07/09 through 12/31/10**

HRAP Procedures

Owner Occupancy	<ul style="list-style-type: none"> • At least 50% owner occupied • No more than 10% of the units may be owned by one investor/developer/builder (if less than 10 units, no more than one unit by an investor) <p>Temporary Guidelines: Vacant and tenant-occupied REO units are excluded from the 50% calculation</p>
FHA Concentration	<p>Permanent Guidelines: 30%</p> <ul style="list-style-type: none"> • If 3 or fewer units, no more than one unit with FHA insurance • Concentration levels will be tracked on FHA Connection and http://www.hud.gov/, based on case numbers assigned for project <p>Temporary Guidelines: 50%</p> <ul style="list-style-type: none"> • May be increased to 100% for well established projects
Presale Requirements	<p>Permanent Guidelines: 50%</p> <ul style="list-style-type: none"> • Legal phasing is recommended • Phasing guidelines for vertical buildings are provided <p>Temporary Guidelines: 30%</p>
New Construction	<ul style="list-style-type: none"> • If a building permit and a certificate of occupancy was issued, neither an early start letter or a HUD 10 year warranty is required • Builder's Certification, Builder's Warranty and Affirmative Fair Housing Marketing Plan are required • Temporary/Conditional Certificate of Occupancy may be acceptable under some circumstances
Commercial Space	<ul style="list-style-type: none"> • No more than 25% of a property's total floor area may be commercial • Use must be homogeneous with residential use
First Right of Refusal	<ul style="list-style-type: none"> • Permitted unless it is discriminatory under the Fair Housing Act
Condominium Conversions	<ul style="list-style-type: none"> • One year waiting period is eliminated • Rehabilitation must be 100% complete • Conversions from non-residential use are treated as new construction
Environmental Review Requirements	<ul style="list-style-type: none"> • Not required if the project has progressed beyond the stage of construction that HUD would have any influence • Appraiser identified environmental concerns must be addressed with mitigating factors
Budget Review	<ul style="list-style-type: none"> • Sufficient funds to maintain amenities • At least 10% of the budget for replacement reserves and capital expenditures • Adequate funding for insurance • In lieu of budget or reserve study, may use Fannie Mae form 1073a, Analysis of Annual Income and Expenses executed by the owners association or management company
Insurance Requirements	<ul style="list-style-type: none"> • Hazard Insurance • HO-6 Policy-If the master policy does not cover the interior of the unit, the homeowner is required to obtain an interior policy

Loans being submitted to HUD for HRAP Initial Project Approval:

- Lender must certify on company letterhead signed by an authorized representative that the project complies with HUD's requirements
- The Builder/Developer must certify per Attachment E that the project complies with HUD guidelines
- If unrecorded documents were submitted along with other required documentation, no loans can be insured in the project until the recorded documents are received.

Projects that do not require review

- **Site Condominiums:** Site Condos are single family detached dwellings encumbered by a declaration of condo covenant or condo form of ownership. Must show in CC&R's and have legal description showing condo. Condo project approval is not required for Site Condos, however the condo rider must be included in the FHA case binder. Use Condo appraisal form. Will be a 203b not 234.
- FHA to FHA Streamline Refinances
- FHA/HUD Real Estate Owned

Spot Condo Approval Process

Spot condo approval process is eliminated as of Case numbers assigned on or after February 1, 2010.

Notable Dates:

FHA will move all currently approved condominium projects to the new approval list and FHA connection database. The following requirements are applicable based on the date of the initial project approval.

- Projects that received approval prior to October 1, 2008, will require recertification on or before December 7, 2010.
- Projects that received approval between October 1, 2008 through December 7, 2009, will require the recertification to determine that the project is still in compliance with HUD's owner occupancy requirement and that no conditions currently exist which would present an unacceptable risk to FHA. Items that must be considered are:
 1. Pending special assessments
 2. Pending legal action against the condominium association, or it's officers or directors, and
 3. Adequate hazard, liability insurance and when applicable, flood insurance coverage

New FHA project guidelines will be effective with Case numbers assigned on or after December 7, 2009 per Mortgagee Letter 2009-46-B. Mortgagee Letter 2009-19 has been replaced.