



FHA Mortgage Insurance: Impacts for condominium boards



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June 2010

The Federal Housing Administration (FHA) has indicated it may revisit its most recent set of requirements for financing purchases with condominium associations. The FHA's directives are particularly important for condominium boards to follow. Nearly 30 percent of all the loans written today are insured by the FHA. That number is expected to increase significantly as banks tighten lending requirements and FHA loans become a more popular financing option for homebuyers. As these loans grow in popularity they will also result in increased scrutiny for condominium associations.

The Community Associations Institute (CAI) has [submitted a letter](#) with recommendations to FHA on improving its mortgage qualification process. Specifically, CAI is urging FHA to rethink its delinquency criteria, its owner occupancy criteria, commercial space limitations along with several insurance mandates. Specific FHA requirements that concern CAI are:

- that associations have no more than 15 percent of its units 30 days delinquent in assessments.
- that an association's owner occupancy ratio must be greater than 50 percent.
- that the building development include no more than 25% commercial space, which in CAI's opinion, runs counter to the need to build more mixed-use, environmentally-friendly, transit-oriented developments in urban areas.

CAI continues to have an open dialogue with the FHA over these guidelines to ensure they are fair to condominium associations and property owners. Meanwhile, here are some suggestions for associations and boards to ensure that they remain eligible for FHA mortgage insurance under the current guidelines.

- Keep your association documents in order and up-to-date. Lenders will seek information required by the FHA from a condominium association when processing paperwork for a loan.
- Keep homeowner association dues and rentals in check. Current FHA guidelines require that more than half of the units be owner occupied and may require proof.
- Reduce delinquencies on homeowner assessments. Regardless of what the final standard, the FHA will want proof of the board's ability to maintain the common elements of the association, thus protecting the value of the units.

For more information on FHA mortgage insurance guidelines, [visit the CAI website](#), or contact [Cheryl Dittamore](#) at (425) 455-0900.

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