

# FHA Condominium Rules

The Housing and Economic Recovery Act of 2008 (HERA) allows FHA to implement a process for condominium projects to insure mortgages on individual units under Section 203(b) of the National Housing Act. FHA condominium rules were initially implemented on December 7, 2009. The new rules are effective July 1, 2011

This chart highlights the major program changes to guidelines and instructions for condominium projects to be eligible for FHA insured mortgages.

Requirement	NAR Action/Position	New FHA Policy for Condominium Projects*	Old FHA Condominium Policy
<b>Owner-Occupancy Requirements for Established Projects.</b>	NAR coalition letter recommends elimination of owner-occupancy requirement. 05/06/2011.	Owner-occupancy requirement is 50 percent of units.	Through 06/30/ 2011, vacant or REO properties may be excluded from calculation of owner-occupancy percentage.
<b>Owner-Occupancy Requirements for New Condo Projects.</b>	NAR coalition letter recommends elimination of owner-occupancy requirement. 05/06/2011.	New owner-occupancy requirement is 30 percent for new construction/existing projects less than 12 months old.	Through 06/30/2011, vacant or REO properties may be excluded from calculation of owner-occupancy percentage.

<b>Requirement</b>	<b>NAR Action/Position</b>	<b>New FHA Policy for Condominium Projects*</b>	<b>Old FHA Condominium Policy</b>
<b>Pre-Sale Requirement for New Condo Projects</b>	NAR coalition recommends reducing or eliminating pre-sale requirement. 05/06/2011.	FHA presale requirement for condominiums is 30 percent. Not applicable to existing projects and non-gut rehabilitation conversions.	FHA presale requirement for condominiums is 50 percent. FHA presale requirement for condominiums is 30 percent through 06/30/2011.
<b>Concentration Limit</b>	NAR coalition recommends amending or temporarily suspending concentration requirements. FHA should increase concentration allowance to 100 percent in new builds as well. 05/06/2011.	FHA will provide insurance for up to 50 percent of units. FHA will insure 100 percent in projects that meet certain specified criteria.	FHA concentration requirement is 30 percent but temporarily increased to 50 percent through 06/30/2011. FHA will insure 100 percent of units in some projects.
<b>Limit on Commercial Space</b>	NAR coalition recommends allowing up to 45 percent commercial space. 05/06/2011.	A project may not have more than 25 percent of space for commercial purposes.	A project may not have more than 25 percent of space for commercial purposes.
<b>Spot Loan Approval Process</b>		Spot Loan Approval process is eliminated.	Spot Loan Approval process was eliminated 2/1/2010.
<b>Right of First Refusal</b>		FHA permits right of first refusal unless it violates Fair Housing Act.	FHA permits right of first refusal unless it violates Fair Housing Act.

Requirement	NAR Action/Position	New FHA Policy for Condominium Projects*	Old FHA Condominium Policy
<b>Site Condominiums</b>		Condominium approval not required.	Condominium approval no longer required.
<b>Reserve Study</b>		In cases where budget documents do not meet FHA standards a reserve study may be requested. Study may not be more than 24 months old.	Reserve study must be performed.
<b>Investor Ownership</b>	NAR coalition recommends increasing investor ownership beyond 10 percent. 05/06/2011.	No more than 10 percent of units may be owned by one investor.	No more than 10 percent of units may be owned by one investor.
<b>Delinquent HOA Dues</b>	NAR coalition recommends no more than 15 percent of units be 90 days in arrears. 05/06/2011.	No more than 15 percent of total units may be in arrears (more than 30 days late). Percentage includes all units – occupied, vacant, REO, and investor.	No more than 15 percent of total units may be in arrears.
<b>Florida</b>		Projects in Florida must use HUD Review Approval Process (HRAP) through Atlanta HOC.	Projects in Florida must use HUD Review Approval Process (HRAP).
<b>Waivers</b>		FHA will consider waivers/exceptions to condominium policies to address individual circumstances.	FHA will consider waiver requests to condominium policies. All projects that include a waiver request must go through HRAP.

Details available in *Mortgagee Letter 2011-22: Condominium Approval Process for Single Family Housing – Consolidation and Update of Approval Requirements and in Condominium Project Approval and Processing Guide and Condominium Approval Implementation Schedule.*