



FHA Condo requirements

Effective 12/7/09

- 1) FHA concentration
 - ideally only 50% of the condos in the project can be insured by FHA
 - FHA will insure up to 100% of the units if:
 - 100% of the units are sold and closed
 - no single entity owns more than 10% of the project
 - reserves are equal to at least 10% of the total budget
 - the owner occupancy ratio is at least 50%
- 2) Owner Occupancy Ratio
 - At least 50% of the units are owner occupied.
 - Vacant and REO units do not need to be counted into the ratio
- 3) Delinquent Condo Fees
 - No more than 15% of the total units can be delinquent on their condo fee payments (30 days)
- 4) Budget Review
 - The budget must be reviewed and deemed appropriate to ensure that sufficient funds are available to maintain and preserve all amenities and features of the condo. Reserves must be at least 10% of the budget.
- 5) Insurance. There must be a master insurance policy on the condo. If the insurance does not cover the interior then the borrower must obtain his own HO-6 coverage.
- 6) Loan-Level Review. For condos that appear on the FHA list, the lender must certify for each loan underwritten, that no investor owns more than 10% of the units, the percentage of owners in arrears is not more than 15%, the owner occupancy is at least 50% and the FHA concentration is appropriate.
- 7) If the condo is not on the FHA approval list then a full submission must be made to FHA including condo docs, and items 1-5 above.
- 8) Detached condos or Site condos do not require approval. All condos must be completely detached, single family style dwellings in a condo setting.
- 9) Additional rules for new projects apply.