

If you're interested in an FHA-insured HECM loan and you own a condo, it's important to know that the HUD eligibility rules for condos are different from other types of homes.

WHY ARE THE RULES DIFFERENT FOR CONDOS?

- The value of a condo unit depends on the value of the entire complex or project. Condo complexes that are not well maintained, or condo associations that aren't well funded, for example, could affect the property value of all the units in the project or complex. The complex or project must be FHA-approved for a condo to be approved for an FHA-insured HECM.

HOW DOES A CONDO COMPLEX OR PROJECT GET FHA INSURANCE APPROVAL?

- FHA rules state that "to be eligible for FHA mortgage insurance, the project must have been declared and exists in full compliance with applicable state law requirements of the jurisdiction in which the condominium project is located and with all other applicable laws and regulations."
- A condo association or management company generally applies for FHA insurance approval, but individuals with access to the required documents also could apply. The approval process typically requires a two-year period.
- There are two ways to obtain FHA approval:
 - The Direct Endorsement Lender Review and Approval Process (DELRAP): The condo association can work with a Direct Endorsement mortgagee to facilitate the process.
 - The condo association can apply independently to its local HUD office through the HUD Review and Approval Process (HRAP).

WHAT TYPES OF CONDOS WILL NOT GET FHA APPROVAL?

- Condo hotels
- Timeshares
- Houseboat projects
- Condos with more than one dwelling in a single unit

WHAT DISQUALIFIES A CONDO COMPLEX OR PROJECT FROM FHA APPROVAL?

- Some common reasons a condo complex or project might be disqualified include:
 - It doesn't have at least 10 percent of its budget in reserves.
 - The leasing guidelines don't comply with HUD rules.
 - It has litigation pending or is undergoing special assessments that could affect market value.
 - It isn't sufficiently insured for hazards, flood, fidelity or liability.
 - Fewer than 50 percent of the units are owner-occupied. (Some financially stable complexes may qualify with an owner-occupancy rate of 35 percent.)
 - Condo association dues are in arrears: More than 15 percent of units are more than 60 days behind.

HOW CAN I FIND OUT IF MY CONDO COMPLEX OR PROJECT IS APPROVED BY FHA?

- FHA maintains a searchable database of approved condominiums. The list can be searched by location, name and status: <https://entp.hud.gov/idapp/html/condlook.cfm>.
- By looking at the status, you can see if the complex or project was approved or rejected. If it's expired, the application can be renewed through HUD.

WHAT CAN I DO IF MY CONDO COMPLEX WAS DECLINED IN THE PAST?

- The condo association would need to investigate why it was declined and take steps to address the issue. In some instances, it may be that more paperwork is needed to complete the application.

WHAT IF MY CONDO ASSOCIATION ISN'T WILLING TO PURSUE FHA APPROVAL?

- Condo owners may be able to apply for FHA approval if they have access to the documents needed.

WHAT ARE "SITE CONDOS," AND WHAT ARE FHA'S RULES FOR THEM?

- A site condo is a detached unit that does not share walls with other units. These types of condos may qualify for an HECM without FHA condo approval; however, FHA has specific stipulations that a condo must meet in order to be determined a site condo. Your loan officer can discuss these requirements with you.

MY FRIEND OR RELATIVE GOT "SPOT CONDO" APPROVAL. WHY IS MY CONDO DIFFERENT?

- Before 2010, individual condo units could be approved as "spot condos." With HUD's 2010 rule change, spot condo approvals are no longer allowed.



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