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Understanding FHA's Single Unit Condo Approval Rules

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Understanding FHA's Single Unit Condo Approval Rules

❑ **August 14, 2019- HUD issued FHA Info 19-41**

Announces publication of its Condominium Project Approval final rule and corresponding updates to the Single Family Policy Handbook 4000.1

❑ **August 21, 2019- HUD issued ML 2019-13**

Announces the Single Unit Approval Process-Obtaining FHA Case numbers for Single-Unit Approvals

❑ **September 27, 2019- HUD issued ML 2019-17**

Announces updated origination requirements for HECMs in Condominium projects



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Highlights of Final Rule Changes

- ❑ The final rule effective October 15, 2019
- ❑ Permits Single Unit Approvals under certain conditions
- ❑ Extends the project approval recertification period from 2 to 3 years
- ❑ Allows more mixed used projects to be eligible



Understanding FHA's Single Unit Condo Approval Rules

Single-Unit Approvals

Individual units may be eligible for Single-Unit Approval if:

- The individual condominium unit is in a completed project that is not approved;
- No more than 10 percent of the individual condo units are FHA-insured (properties with 10 or more units) or properties with fewer than 10 units have no more than two (2) FHA-insured units.



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September 27, 2019- HUD issued ML 2019-17

Announces updated origination requirements for *HECMs* in Condominium projects

- ❑ The HECM Borrower must meet the applicable geographical residual income standard as stated in Section 3.100 of the HECM Financial Assessment and Property Charge Guide without the use of Compensating Factors;

and

- ❑ The HECM Borrower must have a satisfactory property charge payment history as stated in Section 2.28 of the HECM Financial Assessment and Property Charge Guide without the use of Extenuating Circumstances.

All other existing HECM eligibility and program requirements remain in effect.



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Minimum Owner-Occupancy Requirements

Approved condominium projects must be 50 percent owner-occupied.

FHA Insurance Concentration in Condominium Projects

FHA will only insure up to 50 percent of the total number of units in an approved condominium project.

Commercial/Nonresidential Space Limits

FHA will require that the commercial/non-residential space within an approved condominium project does not exceed 35 percent of the project's total floor area.



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ML 2019-13-Obtaining Case Numbers for Single Unit approvals

This process is just for obtaining a case number for a single unit approval; not for units in an approved project

Complete the case # assignment screen following the standard process and complete the following fields:

- Select the associated Condo ID (if one exist) in the PUD/Condo ID field
- Select “Single Unit Approval” from the drop down menu within the “Site Condo” field

The Single Unit Approval Case number will default to “Holds Tracking”



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The mortgagee will need to provide the following information to answers@hud.gov via email:

HUD-9991- FHA Condominium Loan Level/Single-Unit Approval Questionnaire
Sections 1.a., 2.a.,2.b. and 3.1.a, Total Number of Units in the Condominium Project (only), of the form.

- 1. Section 1: Mortgagee Information.**
 - a. Mortgagee Information**

- Section 2: Condominium Project Information.**
 - 2.a. Condominium Project**
 - 2.b. Condominium Association**

- Section 3.1 Existing Construction Occupancy**
 - a. Owner-occupied Units as defined above**

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Section 1: Mortgagee Information. To be completed by the Mortgagee.

1.a. Mortgagee Information			
Mortgagee Name:			FHAC Lender ID Number:
Street Address:			
City:	State:	Zip Code:	Phone Number:
Contact Name:	Email Address:	Fax Number:	

Section 2: Condominium Project Information. To be completed by the Condominium Association or management company.

2.a. Condominium Project		
Legal Name of Project:	FHA Condo Approval ID Number:	
Street Address:		
City:	State:	Zip Code:

2.b. Condominium Association			
Condominium Association Name:	Association Tax ID Number:		
Street Address:			
City:	State:	Zip Code:	Phone Number:
Association Contact Name:	Email Address:	Fax Number:	

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3.a. Occupancy Requirements by Construction Type	
Owner-occupied Units include any Unit: <i>i. occupied by the owner for any portion of the calendar year and that is not rented for a majority of the year;</i> <i>ii. listed for sale, and not listed for rent, that was previously occupied by the owner as described in (i) above; or</i> <i>iii. sold to an owner who intends to occupy the Unit as described in (i) above.</i>	
A Unit owned by the builder/developer is not an owner-occupied Unit.	
A non-owner occupied Unit refers to a Unit that does not meet the definitions above.	
1. Existing Construction Occupancy	Units in Project
<input type="checkbox"/> Existing Construction (greater than 12 months old)	
Total Number of Units in the Condominium Project	
a. Owner-occupied Units as defined above	



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Very important: the email subject line must read:
“SUA Holds Tracking”

- Separate emails must be submitted for each Single Unit approval request
- The HOC will process the request and determine if a case number can be assigned and an email will be sent notifying the lender and removing the “Holds tracking”

The case binder must include all required documentation for the Single Unit approval process and all documentation the lender relied upon to justify its decision to approve



Quick Links

- View FHA INFO 19-44 and all other archived FHA INFOs at:
https://www.hud.gov/program_offices/housing/sfh/FHA_info_messages
- View the Project Approval for Single Family Condominiums (Docket No. FR-5715-F-02) in the Federal Register at:
<https://www.federalregister.gov/>
- View the Single Family Housing Policy Handbook 4000.1 at:
https://www.hud.gov/program_offices/administration/hudclips/handbooks/hsgb
- View Mortgagee Letter 2019-13 and all other archived Mortgagee Letters at:
https://www.hud.gov/program_offices/administration/hudclips/letters/mortgagee
- View Mortgagee Letter 2019-17
<https://www.hud.gov/sites/dfiles/OCHCO/documents/19-17hsgml.pdf>
- View FHA Condo Loan Level Single Unit Approval Questionnaire
https://www.reginfo.gov/public/do/PRAICList?ref_nbr=201908-2502-001