

FHA Project Approvals

(Procedures and Facts)

Nearly every day our office receives phone calls from realtors, brokers, lenders and management companies inquiring about the new Federal Housing Administration (FHA) condominium lending guidelines. No two calls are the same but include questions such as; how do I know if the project is FHA approved? How can I determine what the FHA concentration is in any specific project? Do attached PUDs need project approval? Isn't it the management company's responsibility to get the project approved?

We are posting this article on our site to aide in defining what the process entails and how one should proceed with getting a project FHA approved. There are many invaluable resources on HUD's web site www.hud.gov. The following link is directed to the spot on HUD's web site where you can determine if the project is approved, declined or an existing approval. It is <https://entp.hud.gov/idapp/html/condlook.cfm>. Simply type in the city and state where your subject property exists and you can see what projects within that city are on the FHA approved list and the FHA concentration within the project. Lenders may also find the concentration percentages in FHA Connections.

Anyone involved in real estate sales or lending should also obtain FHA's Mortgagee Letters 2009-46 A and B. These letters clearly state the permanent and temporary project approval guidelines and lending requirements for FHA insured loans within condominium projects. Attachment A in ML 2009-46B is a list of the minimum FHA required documentation that must be submitted for project approval. It includes information for proposed, existing and conversion projects. Lenders may submit condominium approval packages under the HUD Approval and Review Process (HRAP) or the Direct Endorsement Lender Review and Approval Process (DELRAP). Each version has its own advantages and disadvantages. Only HUD approved lenders with a staff experienced in project review may approve projects under the DELRAP process without submitting directly to the FHA. Currently Fannie Mae is not accepting FHA project approvals as reciprocal approvals like they did in the past with the FHA.

There are a variety of third party companies that will submit condominium packages directly to the FHA under HRAP for condominium project approval. Prices and service levels vary also and these services can be found on the Internet. HomeWiseDocs.com is currently submitting projects to the FHA in all regions of the country. Third party services must obtain association authorization to submit for project approval.

The project approval process is only the first part of the steps necessary to insure loans within a condominium project. Subsequent to the project approval each lender seeking to insure loans originated within approved condominium projects must perform a "loan level" review of the project as defined in ML 2009-46 A and B. These items include budget review, owner occupancy review, delinquency analysis, multiple unit owners and insurance requirements review to name a few. Every loan must go through this process even if a lender has recently performed a recent loan level review. This information is dynamic and the variability of this information suggests that a loan may be insurable one month but not that next. Projects should be approved up front so as not to "time" the approval with the loan level review. Loan funding delays will be prevented by performing the paper intensive process of approval prior to loan approval.

Project approvals will have a two year effective date. After two years the projects will need to be recertified for another two year period. Final recertification guidelines have not yet been released but the FHA has indicated that this review should include special assessments, litigation and insurance review. Currently, the recertification process for all projects already on the FHA Condominium Approval List that expire on 12-07-2010, mirror the present project approval guidelines.

The FHA is fully aware of the enormity of this project and we have found them very accessible to answer project approval questions. Most Homeownership Centers are expeditiously turning around complete project submission packages within a one to two week period.

If you have any questions regarding project approvals on specific projects or would like HomeWiseDocs.com to submit a condominium package for approval please email us at fhaapprovals@homewisedocs.com.