

Condominium Alert

FHA Single Unit Approvals Coming In October!

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We hope you read our recent [Blog Post](#). In August, the US Department of Housing and Urban Development (“HUD”) released new Federal Housing Administration (“FHA”) guidelines specifically for condominium units. Starting October 15, 2019, condominiums will be eligible for single unit approval for FHA insured loans (“spot approval”). Before this relaxed approach, only 6.5% of condominium projects in the United States were eligible for FHA loans. By enacting this spot approval for FHA loans and making it easier to obtain FHA backed financing on condominium units, HUD will increase the number of eligible condominium buyers on the market.



What does this mean for Condominium Associations? Previously, HUD approved only entire condominium projects for FHA loans, not individual units. The new law enables FHA loans to be available even if the condominium project the unit is located in was not previously approved.

There are still certain requirements condominium units must meet to be eligible for FHA loans. The “spot approval” program may only be available for homebuyers purchasing in a condominium project meeting the following guidelines:

- For condominiums with 10 or more units, FHA loans may be approved for up to 10% of those units;
- Condominiums with fewer than 10 units may be eligible for FHA approval for no more than two units;
- Financial Condition Statements must be made available by the Association; and
- The Association must maintain Liability and Fidelity Insurance.

Based on the proposed legislation, for FHA loans to be available for more than the maximum 10% of units available through the “spot approval” program, the entire condominium project would still need to be certified. Even so, under these new “spot approval” guidelines, HUD estimates that 20,000 to 60,000 condominium units could become eligible for FHA-insured financing annually.

Potential buyers seeking to obtain FHA backed financing through the spot approval process will be required to obtain a completed “Single-Unit Approval Questionnaire” from the condominium association or its management company. As of October 15, 2019, condominium association Boards of Directors and property managers can expect to start seeing these Questionnaires as buyers begin taking advantage of the new spot approval process.

Please contact your NowackHoward attorneys with any questions you may have about these new forms or about the spot approval program in general. And, remember to follow our blog for regular updates about community association law.