



## **FHA Condo Rules to Change (Again)**

The Federal Housing Administration (FHA) has told industry stakeholders to expect a detailed update to existing condominium underwriting regulations to be released by the end of June. According to the FHA, the new guidance will provide greater detail, clarity and more flexibility for condominium associations to qualify for FHA financing. Since FHA began the process of revising condominium underwriting criteria more than two years ago, Community Associations Institute (CAI) has been critical of both the criteria adopted by FHA and the process used to develop new guidance. If FHA representations on the forthcoming guidance are accurate, the evolved requirements will show movement toward policy recommendations made by CAI and our industry allies.

On June 13, a CAI delegation led by CAI President Steven Brumfield met with Bob Ryan, acting commissioner of FHA. The purpose of the meeting was to discuss issues raised by CAI and our industry allies communicated to FHA via [letter](#). In response to our concerns, FHA noted that it will be releasing new guidelines for the FHA mortgage insurance program, which will greatly expand on the current 21-page guidance. FHA has indicated that the new guidance will be comprehensive and written in easy-to-understand language, as well as provide greater flexibility in allowing community associations to qualify for FHA financing even if they do not meet all of the current requirements, although it did not provide further details. FHA has also indicated that the guidance will be followed by a more formal process of establishing more permanent regulations governing the condominium program. This is an important move by FHA as developing formal regulations requires FHA to seek board input from stakeholders like CAI, something it has not done in developing the current or soon-to-be-released guidance. Since 2009, CAI has called for greater transparency and more public input in the development of new FHA underwriting rules.

Since the housing crisis, FHA has become an important source of financing for many condominium buyers. In 2010, FHA-insured mortgages accounted for more than one-third of all condominium purchases. Many potential buyers seek out FHA-approved properties as a sign of sound governance in a troubled market. Many other lenders are also informally adopting FHA standards as a benchmark for condominium lending, so the impact of FHA requirements will continue to expand. CAI will post an analysis of the new regulations to our Mortgage Matters [website](#) shortly after they are released.

As part of our ongoing Mortgage Matters program, CAI is working to protect homeowners in community associations and to ensure access to fair and affordable mortgage products for all current and potential community association residents. You

can follow our work and share your thoughts at [www.caimortgagematters.org](http://www.caimortgagematters.org). CAI will continue to monitor and participate in shaping the development of the FHA's condominium underwriting guidelines to ensure that the perspective of community associations is heard. If you have any questions about the FHA's underwriting criteria and how it could affect your community, e-mail [government@caionline.org](mailto:government@caionline.org) with FHA Mortgage Insurance Requirements in the subject line.