

II. ORIGINATION THROUGH POST-CLOSING/ENDORSEMENT

A. Title II Insured Housing Programs Forward Mortgages

8. Programs and Products - Condominiums

p. Condominiums

The Federal Housing Administration (FHA) will insure Mortgages on Condominium Units (Units) in [Approved Condominium Projects](#) that have been approved under the HUD Review and Approval Process (HRAP) or Direct Endorsement Lender Review and Approval Process (DELRAP). In addition, FHA will insure Mortgages on Units approved in accordance with the [Single-Unit Approval](#) section or that meet the definition and standards for a [Site Condominium](#).

i. Units Not Requiring Approval

(A) Real Estate Owned Mortgages

HUD Real Estate Owned (REO) Mortgage transactions do not require Condominium Project Approval or Single-Unit Approval. If the Unit is in a Condominium Project that has an FHA Condo ID, the Mortgagee must enter the FHA Condo ID when the FHA case number is requested.

(B) Streamline Refinances

Streamline Refinances do not require Condominium Project Approval or Single-Unit Approval. If the Unit is in a Condominium Project that has an FHA Condo ID, the Mortgagee must enter the FHA Condo ID when the FHA case number is requested.

ii. Requirements for Units in Approved Condominium Projects

The Mortgagee must verify the following requirements for individual Units located in an Approved Condominium Project or Legal Phase.

(A) Condominium Project Approval Status

The Mortgagee must confirm the Condominium Project is on the list of [FHA-Approved Condominium Projects](#) at the time of case number assignment and must enter the FHA Condo ID in the Federal Housing Administration Connection ([FHAC](#)) Case Assignment screen.

(B) FHA Insurance Concentration

(1) Definition

FHA Insurance Concentration refers to the number of FHA-insured Mortgages within a Condominium Project.

(2) Standard

FHA may suspend the issuance of new FHA case numbers for a Mortgage on a Unit in a Condominium Project where the FHA Insurance Concentration is greater than 50 percent of the total number of Units in the Condominium Project.

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(C) Owner Occupancy Percentage

(1) Definition

Owner Occupancy Percentage refers to the percentage of Units considered owner-occupied as shown in the calculation.

(2) Standard

The Mortgagee must determine the Approved Condominium Project has an Owner Occupancy Percentage of at least 35 percent of the total number of Units.

The Mortgagee must report the Owner Occupancy Percentage in [FHAC](#) when the functionality becomes available.

(3) Required Documentation

The Mortgagee must verify and document the Owner Occupancy Percentage.

(4) Calculation

For the sole purposes of calculating the Owner Occupancy Percentage, the numerator of the calculation for a multi-phased Condominium Project includes the total number of the following Units in the first declared Legal Phase and cumulatively in subsequent Legal Phases, or for a single-phased Condominium Project, all of the following Units in the numerator of the calculation:

- any Unit that is occupied by the owner as his or her place of abode for any portion of the calendar year and that is not rented for a majority of the calendar year;
- any Unit listed for sale, and not listed for rent, that was previously occupied by the owner as his or her place of abode for any portion of the calendar year and that is not rented for a majority of the calendar year; or
- any Unit sold to an owner who intends to occupy the Unit as his or her place of abode for any portion of the calendar year and has no intent to rent the Unit for a majority of the calendar year.

For the sole purposes of calculating the Owner Occupancy Percentage, the following Units are included in the denominator of the calculation for a:

- multi-phased Condominium Project, the total number of Units in the first declared Legal Phase and cumulatively in subsequent Legal Phases; or
- single-phased Condominium Project, all Units.

A Unit owned by the builder/developer is not an owner-occupied Unit.

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(D) Financial Condition

(1) Units in Arrears

(a) Definition

Units in Arrears refer to each Unit with Condominium Association dues or any special assessments that are more than 60 Days past due.

(b) Standard

The Mortgagee must verify that no more than 15 percent of the total Units are Units in Arrears (does not include late fees or administrative expenses).

(c) Required Documentation

The Mortgagee must document the percentage of total Units that are Units in Arrears.

(2) Individual Owner Concentration

(a) Definition

Individual Owner Concentration refers to the percentage of Units owned by a single owner or Related Party.

Related Party includes any individual or Entity related to the Unit owner, including but not limited to:

- an individual related to the Unit owner by blood, marriage or operation of law;
- an individual serving as the Unit owners' officer, director, or employee; or
- a Unit owner's direct parent, subsidiary, or any related Entity with which the Unit owner shares a common officer or director.

(b) Standard

The Mortgagee must determine that for Condominium Projects with 20 or more Units, the Individual Owner Concentration is 10 percent or less.

The Mortgagee must determine that for Condominium Projects with fewer than 20 Units, the Unit owner may not own more than one Unit. No Related Party may own a Unit.

(c) Required Documentation

The Mortgagee must verify and document the Individual Owner Concentration for the Condominium Project.

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(d) Calculation

For the Individual Owner Concentration calculation:

- on a multi-phased Condominium Project, the Individual Owner Concentration is calculated based on the total number of Units in the first declared Legal Phase and cumulatively on subsequent Legal Phases; or
- for a single-phased Condominium Project, all Units are used in the denominator when calculating the Individual Owner Concentration, except that unoccupied and unsold Units owned by a builder/developer are excluded from the numerator and denominator in the Individual Owner Concentration calculation.

The Mortgagee must use the total number of declared Units in the Condominium Project for Complete Condominium Projects and Gut-Rehab to calculate the Individual Owner Concentration.

(E) Insurance

(1) Walls-In (HO-6)

(a) Definition

Walls-In Insurance refers to insurance that covers the interior of the Unit and Personal Property inside the Unit.

(b) Standard

The Mortgagee must verify that the Borrower has obtained a Walls-In policy (HO-6) if the master or blanket policy does not include interior unit coverage, including replacement of interior improvements and betterment coverage to insure improvements that the Borrower may have made to the Unit.

(c) Required Documentation

The Mortgagee must submit the certificate of insurance or complete copy of the insurance policy that meets the requirements.

(2) Hazard Insurance

(a) Definition

Hazard Insurance refers to insurance coverage that compensates for physical damage by fire, wind, natural occurrences, or other events outside of the Condominium Project's control.

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(b) Standard

The Mortgagee must verify that the Condominium Association has a master or blanket Hazard Insurance policy in place for the entire Approved Condominium Project in an amount equal to at least 100 percent of the insurable replacement cost of the Approved Condominium Project, including the individual Units in the Approved Condominium Project.

The Mortgagee must verify that any policy with a coinsurance clause includes an agreed amount endorsement or selection of the agreed value option.

The Mortgagee must verify that any pooled insurance policy satisfies the insurance coverage standard for each Condominium Project insured under the policy.

The insurance policies must list the Condominium Association as the named insured, or, in the case of an affiliated Approved Condominium Project or Condominium Association, the name of the affiliated Approved Condominium Project or Condominium Association may be listed as a named insured.

(c) Required Documentation

The Mortgagee must submit the certificate of insurance or complete copy of the insurance policy that meets the requirements.

(3) Flood Insurance

(a) Definition

Flood Insurance refers to insurance that covers physical damage by floods.

(b) Standard

The Mortgagee must verify that Units in an Approved Condominium Project located in a Special Flood Hazard Area (SFHA) continue to meet the [Flood Insurance requirements in the Condominium Project Approval section](#).

The insurance policies must list the Condominium Association as the named insured, or, in the case of an affiliated Approved Condominium Project or Condominium Association, the name of the affiliated Approved Condominium Project or Condominium Association may be listed as a named insured.

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(c) Required Documentation

The Mortgagee must submit the [required documentation in the Condominium Project Approval section](#).

(F) Leasehold Interest

(1) Definition

Leasehold Interest refers to real estate where the residential improvements are located on land that is subject to long-term lease from the underlying fee owner, creating a divided estate in the Property.

(2) Standard

The Mortgagee must determine if the Unit is owned under a Leasehold Interest and complies with the leasehold guidance.

(3) Required Documentation

The Mortgagee must document verification of compliance and submit the required documentation in the [leasehold guidance](#).

(G) New Construction

(1) Definitions

New Construction refers to Proposed Construction, Properties (or Condominium Projects) Under Construction, and Properties Existing Less than One Year as defined below:

- Proposed Construction refers to a Property where no concrete or permanent material has been placed. Digging of footing is not considered permanent.
- Under Construction refers to the period from the first placement of permanent material to 100 percent completion with no Certificate of Occupancy (CO) or equivalent.
- Existing Less than One Year refers to a Property that is 100 percent complete and has been completed less than one year from the date of issuance of the CO or equivalent. The Property must have never been occupied.

Complete Condominium Project refers to a Condominium Project consisting of Units that are Existing Less than One Year and that are ready for occupancy, including completion of all the Infrastructure of the Condominium Project, and not subject to further rehabilitation or construction.

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(2) Standard

For Complete Condominium Projects, the Mortgagee must comply with the [General Condominium Project Approval Requirements](#) and the guidance in [New Construction](#).

(3) Required Documentation

The Mortgagee must submit required documentation for New Construction under the guidance in [New Construction](#).

(H) Gut Rehabilitation

(1) Definition

Gut Rehabilitation (Gut Rehab) refers to the renovation of a Property down to the shell of the structure, including the replacement of all Heating, Ventilation and Air Conditioning (HVAC) and electrical components.

(2) Standard

For Gut Rehab conversion Condominium Projects, the Mortgagee must comply with the [General Condominium Project Approval Requirements](#) and the [New Construction](#) guidance.

(3) Required Documentation

The Mortgagee must submit required documentation for Gut Rehab under the guidance in [New Construction](#).

(I) Manufactured Housing

(1) Definition

Manufactured Housing refers to Structures that are transportable in one or more sections and meet the additional definition standards prescribed in [Property Acceptability Criteria for Manufactured Housing for Title II Insured Mortgages](#). They may be part of an Approved Condominium Project, provided the Condominium Project meets applicable FHA requirements.

A Manufactured Home refers to a single dwelling unit of Manufactured Housing.

(2) Standard

For a Manufactured Home, the Mortgagee must comply with the [General Condominium Project Approval Requirements](#) and the guidance in [Property Types - Manufactured Housing](#).