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(3) Required Documentation

The Mortgagee must submit the required documentation for Manufactured Housing under the guidance in [Property Types - Manufactured Housing](#).

iii. Single-Unit Approval

Single-Unit Approval refers to approval of a Unit in a Condominium Project that is not an Approved Condominium Project.

The Mortgagee must verify the following requirements for Single-Unit Approval.

(A) Condominium Project Approval Status

The Mortgagee must confirm the Condominium Project is not on the list of [FHA-Approved Condominium Projects](#) at the time of case number assignment.

(B) Borrower Eligibility

To be eligible for Single-Unit Approval, the Mortgagee must verify that the mortgage application receives an Accept from TOTAL Mortgage Scorecard or has a maximum Loan-to-Value (LTV) of 90 percent.

(C) Property Eligibility

The Mortgagee must confirm that the Condominium Project:

- has a CO that was issued at least one year ago or has been occupied;
- has at least five Units;
- is not a Manufactured Home;
- does not have [Ineligible](#) Characteristics; and
- is not located in an Approved Condominium Project or unapproved phase of a Condominium Project with an approved Legal Phase.

(D) Requirements for Eligible Properties

(1) FHA Insurance Concentration

(a) Definition

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

(b) Standard

FHA may suspend the issuance of new FHA case numbers for a Mortgage on a Unit in a Condominium Project when the FHA Insurance Concentration exceeds 10 percent of the total number of Units in the Condominium Project

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for Condominium Projects with 10 or more Units. For Condominium Projects with less than 10 Units, the number of FHA-insured Mortgages cannot exceed two.

(2) Owner Occupancy Percentage

(a) Definitions

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

(b) Standard

The Mortgagee must determine that the Condominium Project has an Owner Occupancy Percentage of at least 50 percent of the total number of Units.

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

(c) Required Documentation

The Mortgagee must verify and document the Owner Occupancy Percentage.

(d) 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 are included 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.

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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 on subsequent Legal Phases; or
- single-phased Condominium Project, all Units.

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

(3) Recorded Documents

(a) Definition

Recorded Documents refer to the Condominium Project's legal, project and governing documents that are required to operate legally as required by state and local law.

(b) Standard

The Condominium Project's Recorded Documents must be recorded in accordance with applicable state and local law to ensure the Condominium Project can be legally operated in the local jurisdiction.

(c) Required Documentation

The Mortgagee must submit evidence that the Recorded Documents have been recorded.

(4) Transfer of Control

(a) Definitions

Transfer of Control refers to the shift of existing control over the Condominium Association from the developer/builder to the Unit owners.

Control of the Condominium Association refers to the ability to directly or indirectly control, direct, modify or veto any action of the Condominium Association.

(b) Standard

The Mortgagee must verify Control of the Condominium Association has been transferred to the Unit owners and the Covenants, Conditions, and Restrictions (CC&R) have been recorded.

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(c) Required Documentation

The Mortgagee must document the status of Transfer of Control and submit the recorded CC&Rs.

(5) Financial Condition

(a) Financial Stability

(i) Definitions

Financial Stability refers to the ability of the Condominium Association to meet the Condominium Project's needs in the future through positive cash flow and adequately funded reserves.

(ii) Standard

The Mortgagee must verify the Financial Stability of the Condominium Project and that:

- the Condominium Association maintains separate accounts for operating and reserve funds;
- a reserve account for capital expenditures and deferred maintenance that is funded with at least 10 percent of the aggregate monthly Unit assessments, unless a lower amount is deemed sufficient based upon an acceptable reserve study; and
- no more than 15 percent of the total Units are Units in Arrears (does not include late fees or administrative expenses).

(iii) Required Documentation

The Mortgagee must document compliance of the Condominium Project with the Financial Stability requirements.

(b) Financial Distress Event

(i) Definition

A Financial Distress Event refers to a Condominium Project or builder/developer that has:

- sought protection under bankruptcy laws;
- been placed into receivership (mandated or voluntary);
- been subject to foreclosure or any seizure of assets by creditors; or
- offered a Deed-in-Lieu (DIL) of Foreclosure.

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(ii) Standard

The Mortgagee must verify that a Condominium Project has not experienced a Financial Distress Event within the last three years.

(iii) Required Documentation

The Mortgagee must document that the Condominium Project has not experienced a Financial Distress Event within the last three years.

If applicable, the Mortgagee must submit a dated legal document evidencing Resolution of Financial Distress Event and a signed and dated explanation.

(c) Individual Owner Concentration

(i) 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
- Unit owner direct parent, subsidiary, or any related Entity with which the Unit owner shares a common officer or director.

(ii) 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.

(iii) Required Documentation

The Mortgagee must verify and document the Individual Owner Concentration.

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(iv) 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.

(d) Commercial/Non-Residential Financial Independence

(i) Definition

Commercial/Non-Residential Financial Independence refers to the ability of the Residential Space and Commercial/Non-Residential Space of the Condominium Project to be independently sustainable such that neither portion of the Condominium Project is financially reliant on the other.

(ii) Standard

For projects with [Commercial/Non-Residential Space](#), the Mortgagee must verify there is Commercial/Non-Residential Financial Independence.

(iii) Required Documentation

The Mortgagee must document Commercial/Non-Residential Financial Independence.

For Condominium Projects with Commercial/Non-Residential Space, the Mortgagee must submit:

- a current year budget approved by the board(s);
- a year-to-date income and expense statement dated within 90 Days if the prior year to date actuals are more than 90 Days old;
- an income and expense statement for the previous year's actual year end results; and
- a current balance sheet dated within 90 Days prior to the date of submission.

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(6) Insurance Coverage

The Condominium Project where the single Unit is located must be insured to FHA standards as well as any applicable state and local condominium requirements.

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

(a) Walls-In (HO-6)

(i) Definition

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

(ii) 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.

(iii) Required Documentation

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

(b) Hazard Insurance

(i) 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.

(ii) Standard

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

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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.

(iii) Required Documentation

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

(c) Liability Insurance

(i) Definition

Liability Insurance refers to insurance that protects against legal claims.

(ii) Standard

The Mortgagee must verify that the Condominium Association maintains comprehensive Liability Insurance for the entire Condominium Project, including all common areas, elements, public ways, and all other areas that are under its supervision, in the amount of at least \$1 million for each occurrence.

(iii) Required Documentation

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

(d) Fidelity Insurance

(i) Definition

Fidelity Insurance refers to insurance that protects the Condominium Association against employee dishonesty, crime, or other fraudulent acts conducted by one or more employees.

(ii) Standard

The Mortgagee must verify that for all Condominium Projects with more than 20 Units, the Condominium Association maintains Fidelity Insurance for all officers, directors, and employees of the Condominium Association and all other persons handling or responsible for funds administered by the Condominium Association.

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The Mortgagee must verify that the insurance coverage is the greater of:

- three months of aggregate assessments on all Units plus reserve funds; or
- the minimum amount required by state law.

If the Condominium Project engages a management company, the policy or policies must demonstrate that they specifically meet the standard for both the Condominium Association and the management company.

(iii) Required Documentation

The Mortgagee must submit the certificate of insurance or a complete copy of the insurance policy from the Condominium Association and/or from the management company that meets the requirements.

(e) Flood Insurance

(i) Definition

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

(ii) Standard

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

(iii) Required Documentation

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

(7) Projects in Coastal Barrier Resources System or Special Flood Hazard Areas

(a) Projects in Coastal Barrier Resources System

If any part of the Condominium Project is located within the Coastal Barrier Resources System (CBRS), the Condominium Project is [not eligible](#) for FHA Single-Unit Approval.

(b) Special Flood Hazard Areas

If any portion of the Structures or equipment essential to the value of the Condominium Project is located within an SFHA, then the Condominium Project is not eligible for Condominium Project Approval, unless the

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Condominium Project meets the [Special Flood Hazard Areas requirements in the Condominium Project Approval section](#).

(8) Commercial/Non-Residential Space

(a) Definitions

Commercial/Non-Residential Space refers to floor area allocated to:

- retail and commercial square footage (excludes [Live/Work Units](#));
- multi-level parking garage square footage that is separate from multi-level parking garage square footage allocated to residential Unit owners;
- building common areas not reserved for the exclusive use of residential Unit owners; and
- any square footage that is owned by a private individual or Entity outside of the Condominium Association.

Residential Space refers to floor area allocated to:

- all Unit square footage;
- all building common area square footage exclusively for the use of residential Unit owners; and
- all parking garage square footage allocated to residential Unit owners.

Parking lot square footage is not considered Residential or Commercial/Non-Residential Space.

Total Floor Area refers to all Residential Space and Commercial/Non-Residential Space.

(b) Standard

The Mortgagee must verify that the Condominium Project's Commercial/Non-Residential Space does not exceed 35 percent of the Condominium Project's Total Floor Area.

(c) Required Documentation

The Mortgagee must document the percentage of Commercial/Non-Residential Space and submit the following documentation:

- recorded Site Condominium plans; and
- recorded CC&Rs.

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(9) Live/Work Unit

(a) Definitions

A Live/Work Condominium Project refers to a Condominium Project that allows space within the individual Unit to be used jointly for non-residential and residential purposes.

A Live/Work Unit refers to a Unit in a Live/Work Condominium Project.

(b) Standard

The Mortgagee must verify that the Condominium Project governing documents allow Live/Work arrangements.

The Mortgagee must verify that the individual Live/Work Unit does not contain more than 49 percent Commercial/Non-Residential Space.

(c) Required Documentation

The Mortgagee must document compliance with the Live/Work requirements.

(10) Leasehold Interest

(a) 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.

(b) Standard

The Mortgagee must determine if Condominium Projects with Units or Common Elements owned under a Leasehold Interest are eligible and meet the following requirements:

- The Condominium Association must be the lessee under the lease.
- The lease of the Common Elements provides that a default of the Condominium Association does not result in a disturbance of any rights of the Unit owners.
- The lease provides that the Mortgagee receives notice of any monetary or Non-Monetary Default by the Condominium Association and is given the right to cure any defaults on behalf of the Condominium Association.
- The lease provides for the payment of taxes and insurance related to the land, in addition to those being paid for the improvements.
- The Condominium Association must not be in default under any provisions of the lease.

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- The lease does not include any default provisions that could result in forfeiture or termination of the lease except for nonpayment of lease rents.
- The Condominium Project must comply with the Title II or Home Equity Conversion Mortgage (HECM) [Leasehold guidance](#) as applicable.

(c) Required Documentation

The Mortgagee must submit the lease and comply with the required documentation in the [Leasehold guidance](#).

(11) Litigation

(a) Definition

Litigation refers to a current or pending lawsuit or proceedings in a court, arbitration, or mediation involving the Condominium Project or Condominium Association, or those concluded within 12 months of the application date. Litigation does not include foreclosure or actions to collect past due assessments brought by the Condominium Association or Condominium Project as plaintiff.

(b) Standard

The Mortgagee must verify that the Condominium Project or Condominium Association is not subject to Litigation that relates to the safety, structural soundness, habitability, or functional use of the Condominium Project.

The Mortgagee must verify that the Condominium Project or Condominium Association is not subject to any other Litigation risk not covered by insurance or that exceeds the amount of insurance coverage relating to the potential losses for that matter.

(c) Required Documentation

The Mortgagee must document if the Condominium Project or Condominium Association are subject to pending litigation or any other litigation risk.

iv. Site Condominium

(A) Definition

A Site Condominium refers to:

- a Condominium Project that consists entirely of single family detached dwellings that have no shared garages, or any other attached buildings; or
- a Condominium Project that: