



ANNOUNCEMENT.....#10-03, February 2, 2010

To: All Michigan Mutual Brokers

Re: Condominium Projects

Topics included in this announcement per HUD Mortgagee Letters 2009-46A and 46B:

- **Elimination of the Spot Loan Approval Process**
- **Site Condominium Requirements**
- **Condominium Approval Process (HRAP and DELRAP)**
- **FHA Concentration**
- **HUD Condominium Certifications/Questionnaire**
- **Transition Strategy**
- **Rejected or Withdrawn projects**
- **FHA-to-FHA Transactions**
- **Florida Condominium Project Approval**

The Federal Housing Administration (FHA) has implemented a new approval process for condominium projects. The requirements for this announcement are effective as noted below.

Elimination of the Spot Loan Approval Process

Mortgagee Letter 2009-46B announces the elimination of the Spot Loan Approval Process for all FHA case number assignments **effective on or after February 1, 2010**. The last day to obtain case number assignments for loans with Spot Loan Approval is January 31, 2010. Also note if a case number is assigned prior to January 31 and the condominium is approved under the spot loan approval process, however the borrower is denied and a new borrower purchases the property using the same case number (as required by HUD/FHA) the new borrower must be approved using the new condominium procedure (the spot loan approval process may not be used).

Site Condominium Requirements

As previously announced (effective June 2009 per Mortgagee Letter 2009-19), **Condominium project approval is not required for Site Condominiums**. Site Condominiums are single family totally detached dwellings (no shared garages or any other attached buildings) encumbered by a declaration of Condominium covenants or condominium form of ownership. Condominiums (including detached condominiums) that do not meet this definition will require project approval. In addition, the Uniform Residential Appraisal Report (Form 1004) can be used (the Individual Condominium Unit Appraisal Report Form 1073 is no longer required) and the Condominium Rider to the Mortgage/Deed of Trust is required (prepared by MMI).

Condominium Approval Requirements (HRAP and DELRAP)

- Effective with Case Number assignments **on or after February 1, 2010** MMI has adopted the **HUD Review and Approval Process (HRAP)** as outlined in Mortgagee Letters 2009-46A and 2009-46B. MMI will not implement the Direct Endorsement Lender Review and Approval Process (DELRAP). Refer to Attachment A, Condominium Project Approval Matrix (attached to Mortgagee Letter 2009-46B) for the list of documents that the project review package must contain. It is the broker's responsibility to submit the project review package to the HUD Homeownership Center (Attention Technical Support Branch) that serves the state where the subject property is located.
- The following list identifies MMI's property eligibility guidelines:
 - Existing Construction only (all units, common elements and facilities within the project must be 100% complete and construction has been completed for at least one year as evidenced by issuance of the final Certificate of Occupancy & the Homeowners Association turned over).
 - Proposed and/or New Construction are not eligible.
 - Conversions are not eligible.
 - Condominium Hotel or "Condotel", manufactured homes and co-ops are not eligible.
 - Houseboat projects are not eligible.
 - Multi-dwelling unit condominiums (i.e. more than one dwelling per condominium unit) are not eligible.
 - Any/all projects not deemed to be used primarily as residential are not eligible.
 - Projects must consist of 2 or more units.

FHA Concentration

FHA will display the concentration information for each approved condominium development on the approved condominium listing, which can be found on both FHA Connection and on the public website at www.hud.gov. The concentration level will be based on case numbers assigned on units in a project; FHA will not issue new case numbers once the 30 percent concentration level (plus a small tolerance to accommodate for some fall-out) has been reached in any particular development.

- For case numbers assigned on or after **December 7, 2009 through December 31, 2010** the FHA Concentration requirement will be increased temporarily to 50%. The FHA Concentration may be increased up to 100% if the project meets all of the basic condominium standards plus the additional items stated below:
 - a) The project is 100% complete and construction has been completed for at least one year, as evidenced by issuance of the final certificate of occupancy for the last unit conveyed (new construction is not eligible for this exception);
 - b) 100% of the units have been sold and no entity owns more than 10% of the units in the project (for fewer than 10 units, single entity may own no more than 1 unit);
 - c) The project's budget provides for the funding of replacement reserves for capital expenditures and deferred maintenance in an account representing at least 10% of the budget.
 - d) Control of the Homeowner's Association has transferred to the owners; and
 - e) The owner-occupancy ratio is at least 50%.

All new case number assignments on or after **January 1, 2011** FHA concentration levels will revert back to 30% (projects consisting of three or fewer units will have no more than one unit encumbered with an FHA loan).

HUD Condominium Certifications/Questionnaire

MMI will accept submission of loans where the condominium project approval was issued by another mortgagee under the Direct Endorsement (D.E.) Lender Review and Approval Process (DELRAP) or approved by HUD. If either a D.E. Lender or HUD has approved the condominium project, the broker must submit fully executed **Attachment C – Lender Certification for Individual Unit Financing** (see Mortgagee Letter 2009-46b) and the **FHA Condominium Homeowner’s Association Questionnaire** (both are available on our website).

Per HUD it is the broker (originator’s) responsibility to certify (on Attachment C) that the unit in connection with the loan file has been verified to be in a project that to the best of their knowledge continues to meet all FHA condominium requirements. The certification must be on the broker’s company letterhead, signed by a company authorized representative (signature stamps or electronic signatures are not acceptable). These forms will be required at time of initial loan submission. Please make sure the Questionnaire you submit is accurate and properly completed in its entirety and fully executed by an authorized agent of the Homeowners Association. Any requests to provide updated and/or revised Questionnaires will be denied.

Transition Strategy

FHA will move all currently approved, condominium projects to the new approval list and FHA Connection database. The following requirements are applicable based on the date of the initial approval.

- Projects that received approval prior to October 1, 2008, will require recertification on or before December 7, 2010 (project must be re-approved).
- Projects that received approval between October 1, 2008 and December 7, 2009, will expire two years from the date of placement on the list of approved condominiums and will require recertification.

Recertification of approved condominium projects may be processed by HUD using HRAP or by a lender using DELRAP (MMI is not utilizing the DELRAP process).

Rejected or withdrawn projects

If a project is listed as rejected or withdrawn on the FHA-approved condominiums list (in the FHA Connection), the project will not be eligible for reconsideration unless the request meets the following:

- Project was rejected or withdrawn \leq 12 months: new/additional information may be submitted to HUD for reconsideration **only under HRAP** processing based on the rejection or withdrawal date;
- Project was rejected or withdrawn $>$ 12 months: new additional information may be submitted to HUD for processing under HRAP or may be considered by another lender (and ultimately transmitted to HUD) in cases of projects undergoing DELRAP review (please note that MMI will not complete this review).

NOTE: If a project is no longer approved or does not meet approval criteria, then the only exceptions are FHA-to-FHA streamline refinance without an appraisal and FHA/HUD Real Estate Owned purchase transactions.

FHA-to-FHA Transactions

Project approval is not required for:

- FHA-to-FHA Streamline Refinance Transactions or
- FHA/HUD Real Estate Owned (REO) Transactions

Florida Condominium Project Approval

All requests for approval of condominium projects located in Florida will require submission to the Atlanta Homeownership Center for review, under the HUD Review and Approval Process (HRAP). These projects are not eligible for approval using the Direct Endorsement Lender Review and Approval Process (DELRAP), defined in ML 2009-46 B.

Link to Mortgagee Letter 2009-46A:

<http://www.hud.gov/offices/adm/hudclips/letters/mortgagee/files/09-46aml.pdf>

Link to Mortgagee Letter 2009-46B:

<http://www.hud.gov/offices/adm/hudclips/letters/mortgagee/files/09-46bml.pdf>

Link to Mortgagee Letter 2009-46A & 2009-46B Frequently Asked Questions:

http://www.hud.gov/offices/hsg/sfh/condo/faqs_condo.pdf

Please contact your account executive if you have any questions.

We appreciate and value your business!

Attachment C

LENDER CERTIFICATION FOR INDIVIDUAL UNIT FINANCING

The undersigned hereby certifies that (1) the Lender has verified the condominium unit in connection with this loan file has been verified to be in a project that appears on FHA's list of approved condominium projects; (2) to the best of his or her knowledge and belief, the information and statements contained in this application are true and correct; (3) the Lender has no knowledge of circumstances or conditions that might have an adverse effect on the project or cause a mortgage secured by a unit in the project to become delinquent (including but not limited to: defects in construction; substantial disputes or dissatisfaction among unit owners about the operation of the project or the owner's association; and disputes concerning unit owners; rights privileges, and obligations); and (4) the Lender has reviewed and verified the condominium project's continued compliance with the initial approval requirements regarding investor ownership, percentage of owners in arrears for condominium association fees, pre-sale ratio, owner-occupancy ratio, FHA loan concentration ratio, and the Lender certifies that the condominium project continues to comply with FHA requirements.

Authorized Lender Representative
(Signature and Title)

Date

Title 18 U.S.C. 1014, provides in part that whoever knowingly and willfully makes or uses a document containing any false, fictitious, or fraudulent statement or entry, in any matter in the jurisdiction of any department or agency of the United States, shall be fined not more than \$1,000,000 or imprisoned for not more than 30 years or both. In addition, violation of this or others may result in debarment and civil liability for damages suffered by the Department.