

FHA Certification

The Federal Housing Administration (“FHA”), a division of the United States Department of Housing and Urban Development (“HUD”), is a government-owned insurance company. The FHA tries to determine whether condominiums meet specific criteria in order to minimize the risk of default on loans on units within condominiums. It does not loan money, but instead insures loans for buyers who cannot afford a conventional down payment. FHA insured loans now account for more than half of all new home loans. A buyer that obtains a FHA insured loan can buy a condominium with a low down payment of 3.5% of the purchase price instead of the typical 20% for conventional home loans. This low down payment allows for a greater number of potential condominium buyers. However, for a potential buyer to use a FHA approved loan, condominium developments must be approved as an entity. Therefore, it is a wise decision to get a condominium FHA certified so that potential buyers can take out a FHA approved loan. Once approved, the FHA certification must be renewed every two years. HUD will not notify you when your certification is about to expire. Also, please note that not all buyers will be approved for a FHA backed-loan. Potential buyers are responsible for documenting credit worthiness and not everyone will be approved.

Some requirements that HUD identifies as a pre-requisite for FHA certification:

- Fidelity insurance that covers “100% replacement costs” and covers 3 months aggregate assessments on all units plus all of the reserve funds
- No more than 15% of the units in the condominium are more than 60 days delinquent in the payment of assessments
- A minimum of 50% of the units are owner-occupied

The above is not an exhaustive list of requirements. Please contact us to get started with the process. We also handle re-certifications of condominiums and VA certification as well.