



A guide to

FHA CERTIFICATION

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FHA Condo Certification is the method used by HUD to ensure that Condominium Associations meet their detailed eligibility requirements prior to insuring loans on units within the association. The criteria includes an analysis of financials, operating procedures, litigation, and other standards set forth by HUD. The certification process is basically a risk management tool used to mitigate the possibility of foreclosures and other losses associated with FHA loans used to purchase Condominiums.

FHA Review is a third-party submission service that specializes in the FHA and VA condo approval process. We work directly with HUD and the VA to get Condominium communities FHA and VA approved. With over 30 years of combined experience in the HOA industry, the principals of the company are well versed in the daily operations of condominiums. The main goal of the FHA Review team is to not only gain certifications for the community, but to have complete transparency during the process. Our eligibility reviews are the most complete in the industry and always give the Association the full picture prior to applying.

FHA Approval for Condominium Projects has been a growing topic of interest among Community Managers and Boards over the last few years. Many people in the CID industry are unfamiliar with the process, what it means, or why a condo project should make it a priority. Additionally, FHA approval is often overlooked, or cast aside because it deals with mortgage insurance, a concept that is rarely dealt with at the community management level. However, changes in the real estate market have made FHA Approval a hot topic at board meetings, and caused many headaches for current owners and potential buyers.

This brochure is intended to inform you of the FHA Condo Certification process. What it is, why it's important and how to navigate the process.

Key Terms

HUD: Department of Housing and Urban Development. HUD is the cabinet level agency that oversees many housing programs including the FHA

FHA: Federal Housing Administration

Mortgage Insurance: Mortgage insurance is a guarantee for the lender that reduces or eliminates loss if the borrower defaults. It is typically required on loans acquired with a down payment of less than twenty percent.

HRAP: HUD Review Approval Process

DELRAP: Direct Endorsement Lender Review and Approval Process. This is a method used by lenders with Direct Endorsement capabilities and expert staff for reviewing and approving condominium projects.

FHA Condo Certification: FHA Certification is the method used by HUD to ensure that Condominium Complexes meet their detailed criteria regarding finances, operating procedures, legal obligations, and other standards set forth in the guidelines. HUD uses the certification process as a risk management tool to reduce the probability of foreclosures on FHA insured loans on condominiums.



BENEFITS OF FHA CONDO CERTIFICATION

FHA condo approval dramatically increases the pool of potential buyers

Statistics show that approximately 60% of new home buyers intend to use an FHA Loan. If your community does not have FHA condo approval, you potentially limit the buying pool to only 40% of home buyers. NOTE: These are “regular” buyers – an FHA loan is not associated with low income HUD programs, such as Section 8. In some counties, an FHA insured loan can reach amounts of \$800,000.00 or more. Since the recession, most buyers are using FHA insured loans, and this will be the trend for years to come.

Increased Home Value

FHA approved Condos have a larger pool of prospective buyers, therefore increasing competition and demand for the product. This can result in higher purchase prices and an increase in market value. This will increase the value of units throughout the community.

Marketability

Some real estate agents won't show units that aren't FHA Approved. Being approved sets your community apart from others in your same area.

Awareness

Going through the FHA condo approval process gives your Homeowners the sense that you as a Board cares about the community and wants it to thrive. By avoiding the approval process it will hamper your owners when they go to sell their units.

Fewer Renters in the Community

Generally speaking, Buyers who use FHA loans are more likely to reside in the unit, and not rent it out. Conversely, communities without FHA approval will attract buyers that can make large down payments. These buyers are usually investors who will rent the property for a profit.

Fiduciary Duty

Board Members and Property Managers are expected to do their best maintain property values in their communities. Several HOA attorneys advise that it is the fiduciary duty of the condo Board to apply for FHA condo approval to maintain or increase property values for residents and allow for easy real estate transactions.

What are the cons of FHA Condo Certification?

At this time, there are no “cons” to being FHA Certified. Remember, chances are, your community was certified when it was developed. Most communities in the US are currently seeking FHA eligibility, but may not meet the strict FHA guidelines, and will not qualify.

MISCONCEPTIONS REGARDING FHA CONDO CERTIFICATION

The guidelines are too strict and it's cost prohibitive.

FALSE

Well-managed and financially stable communities have no trouble becoming FHA approved. The cost has dropped dramatically since 2010. When the guidelines initially changed, Attorneys were charging upwards of \$5,000 to review the documents. FHA Review is able to streamline the process and charge significantly less. FHA Review charges a flat rate of \$850 per submission.

Being FHA Certified will bring in "low-income" buyers.

FALSE

This is completely false. FHA Condo approval is completely unrelated to affordable housing programs. The FHA can insure loans upwards of \$800,000.00 in some areas. Since the recession, most American buyers are using FHA insured loans, and this will be the trend for years to come.

FHA Loans caused the mortgage crisis.

FALSE

FHA loans are not Sub Prime Loans. Although they do offer lower down payments than traditional mortgages, there are credit score requirements, debt to income analysis, and income verification. Also, in 2009 FHA loans made up about 2% of the loan market, in 2010 they were up to 40% and climbing.

THE FHA APPROVAL PROCESS



Step 1: Eligibility Review

To begin the process, complete our Eligibility Questionnaire, and send us the 10 required documents listed on the form. Once our office receives them, we will determine the eligibility of any project. NOTE: When working directly with the Board of Directors or HOA we will complete this free of charge.

Determining eligibility for FHA approval can be a difficult task if you are not familiar with the FHA Guidelines. There are basic requirements as well as eligibility issues that are not as easy to identify. FHA Review is extremely well versed in the guidelines, addendums, and preferences that HUD uses to make their final decision.



Step 2: Identify and Correct Eligibility Issues

Once we receive the completed questionnaire and the (10) documents listed on the form, we can identify potential eligibility issues. We will recommend a course of action that will bring the community up to FHA Eligibility Standards. Once these eligibility issues (if any exist) are resolved, we will proceed to the submission stage.



Step 3: Submission

After the eligibility criteria are met, we will build the submission package and complete all necessary applications. We also include the FEMA maps and in most situations we obtain all necessary amendments, plats and plans. Once the application is completed we will submit your application to the appropriate HUD office. We generally get a response within 2-3 weeks of submitting the application, however it may take up to 30 days. Once your community is approved, you will be notified and emailed a certificate from our office.

THE



What is the Cost?

The Pre-Qualification is free. If eligible, the fee for submission is \$850.00. We offer (2) options. Communities that are 100% eligible may qualify for our “Don’t Pass, Don’t Pay” program. If your condo project does not qualify, we can still submit at your request, however the fee will be non-refundable.

Is FHA Review part of HUD? What is your affiliation?

We are a Third Party Submission source specializing in the FHA Condo Approval process. We are not directly affiliated with HUD. FHA Review is completely independent.

What if we don’t pass?

We try our best to Pre-Qualify all communities, and do not submit your paperwork unless your project meets the eligibility requirements. If your community does not pass, we will continue working with your until it does.

How long does the process take?

The timeframe depends mostly on eligibility and document collection. HUD is currently responding within 2-3 weeks of submission. We have had Condo Projects approved in as little as 2 weeks from the beginning of the process, however it can take as long as 60 days if the FHA requests additional documentation.

Does the Manager need to sign anything?

We only ask that the Manager or other representative sign the initial eligibility questionnaire. This form is similar to Condo Questionnaire’s used during the escrow process. FHA Review will sign all forms submitted to HUD.

My Condo Project just needs to Re-Certify – there must be an expedited procedure?

No. There is not an “expedited” procedure. However, if you have been recertified in the past two years it is likely that most of your paperwork is in order and it will be easier.

Can you expedite the process?

Using a submission service will most likely expedite the process, however there is no way to get it through HUD any faster.

We’ve been FHA Certified before, so there should be no problem getting certified again...right?

The guidelines have changed several times over the past few years. Prior approval gives virtually no indication of current eligibility.

We just found out our FHA Certification was expired. Why weren’t we notified?

HUD does not send out any notification of expiration. This is something that the Board should be aware of. FHA Review includes future notification as part of the service.

Do we need an attorney for anything?

Most likely—no. However if you have pending litigation (this does not include collections) or need to amend your governing documents this will require an attorney.

VA APPROVAL

The Basics:

- It usually takes 60-90 days
- Attorney Letter can expedite the process (not required)
- The cost is \$850
- HOA Documents will be required

Be aware that the process of getting a condominium complex VA approved generally takes between 60-90 days. The reason for this lengthy processing time is their 2 step application process. Once we prepare an application for you, it will be sent to the regional office where a VA employee reviews it. After this initial screening, the application will go to their Legal Team, where the governing documents are scrutinized for VA compliance.

To expedite the process, a private Attorney may be used to review the documents for VA compliance. The VA does NOT require an Attorney letter. The cost of an Attorney certification letter typically costs \$900-\$1500 depending on the firm. We cannot say how much this will reduce the processing time, because it varies by regional office, but the VA claims that it will speed up the process significantly.

The Cost: \$850

The cost for us to apply for VA Condo Approval on your behalf is \$850. This fee does not include the optional Attorney Letter used to expedite the VA approval process.

We cannot guarantee VA Condo Approval because each community is evaluated on a case-by-case basis, and the guidelines are not as structured as the FHA. If the VA rejects a community, we will provide an explanation as to why, and offer guidance.

If you have any further questions about VA Condo Approval feel free to contact us.

Documents needed for VA Condo Approval

Each regional VA office requires different documents, however these are the basic documents required for VA Condo approval. You will need to gather the first 7 items on this list directly from the HOA before we can begin the VA condo application process*.

Please send us the following documents via email or regular mail.

- Declaration of Covenants, Conditions and Restrictions (CC&R's) aka Declarations,
- Signed Bylaws for HOA
- Articles of Incorporation for HOA
- Management Agreement (unless self managed)
- HOA Budget
- Current Financial Statements (Income Statement & Balance Sheet)
- Minutes of last 2 HOA Meetings
- Recorded Amendments for annexation (we can help obtain this)
- Plat Map and/or Air Lot Survey (we can help obtain this)
- Condominium Plans (we can help obtain this)

*NOTE: These documents may seem difficult to obtain, however in most states, any resident of the HOA is legally entitled to copies of these documents upon request. The documents may be obtained by written request to the appropriate Management Company or Board of Directors. Fees may apply.



CHECK STATUS for FHA and VA Condo Approval in 2015

Most communities that were given the FHA Condo Approval Certification had it revoked sometime in the last 3 years. If you are currently Expired, Withdrawn, Rejected or Soon to Expire, contact us for FHA Condo Approval.

Check if your Condominium or Homeowners Association (HOA) is currently FHA or VA Condo Approved via the official directories.

[Check FHA Approval](#)

www.fhareview.com/check-fha

[Check VA approval](#)

www.fhareview.com/check-va

About Us

Natalie Stewart President and Marketing/Sales

A Southern California native and California State University, Fullerton graduate, Natalie started her career in the HOA industry over 13 years ago and has continued growing in it ever since. Her main priority is customer service and is most often the person who answers the phone when you call! You might also see her at trade shows and industry events, educating attendees of the approval process and newest changes in the industry. She is also in charge of governing document research and retrieval at FHA review.

The combined assets of the two principals and processing team allow FHA Review to provide exceptional service to our clients. With a streamlined system in place, we work with Property Managers, Realtors, Lenders, Boards of Directors, and Homeowners nationwide.

Greg Sutton CEO and Controller

A graduate of Colorado University at Boulder, Greg has over 10 years of residential portfolio property management experience in both Florida and California. He has built the internal systems and controls at FHA review to ensure the highest level of accuracy in the industry. Our proprietary system allows FHA Review to work faster and more efficiently than other submission services. In addition he is responsible for analyzing the financials of every submission package that we work with. Greg also leads the processing team on the financial side, ensuring that each association knows where they stand monetarily prior to sending the submission into the FHA.

Be sure to visit our map of FHA approved communities at www.fhamap.com.

Find FHA Approved Condominiums in your area, Nationwide. This site provides you with an interactive map of all known FHA Approved Condominiums in the United States. This data was captured using the HUD master list, and is updated regularly.

FHAMap combines the HUD Master List with interactive Google maps. FHAMap will provide you with the information you need about FHA approved condominiums, nationwide. Each FHA approved condominium is represented by a green dot, which when clicked, will bring up the condominium Name, Condo ID, Address, # of units, and FHA expiration date.



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