

FHA Certification – FAQs Beyond the Basics

Fort Collins – March 28, 2011 – Most homeowners associations consider FHA Certification “a must,” now that FHA-insured loans make up a majority of home loans issued in the market, today. However, HOAs have a lot of questions, and find it hard to locate many of the answers. Answers to some of the most common and difficult questions regarding FHA Certifications and the FHA Approval process include:

Q. What is HRAP?

A. HRAP stands for HUD Review and Approval Process, and is a method for obtaining FHA Certification for condominiums. The FHA has become the primary lender, and condominium HOAs must have certification for a home within it to obtain FHA financing. Condominiums without certification, therefore, may limit the potential buyer pool for their homes by more than 50 percent.

Q. Who may prepare the FHA Certification/HRAP package?

A. HOA's or their managers may file the packages, or an attorney, consultant, lender, developer, or builder may file in cooperation with the HOA. Borrowers, sellers and/or real estate agents may not file these packages.

Q. Is an attorney required to be involved in the FHA Certification process?

A. No. With Mortgagee Letter 2009-46B, the previous attorney requirements were repealed. No attorney opinion, verification, certification or submission is required for filing.

Q. How long does it take to get FHA Certification/complete the HRAP process?

A. HUD is responding to projects within four to six weeks of submission. If the package was submitted properly, and additional questions are answered expediently, approval is being obtained within a few days following their initial response.

Q. Will FHA approval expire if the project is submitted before the due date, but not reviewed until after the due date?

A. Yes. You cannot get a case number until the project is approved. Approvals are taking about 30 – 45 days, so FHA loans will not be available for HOAs in the interim between expiration and recertification.

Q. What happens to projects that have expired?

A. They are kept on the “rolls” for 6 months, and can be re-certified in this time-frame. After 6-mos they are deleted, requiring the property to be certified, again, from scratch. Currently, however, Certification and Re-certification requirements are identical.

Q. What if the association’s governing documents include language limiting lease terms? Many homeowners associations do not allow for daily rentals, for instance, and include language as such, in their documents.

A. HUD made a ruling March 18, 2011, that some rental restrictions will be allowable for one year, waiving the previous preclusion. The existence of the following rental requirements in governing documents will (temporarily) NOT PRECLUDE APPROVAL. The requirement that:

1. All leases be in writing and subject to the declaration and bylaws of the condominium project;
2. The condominium association receive a copy of sublease or rental agreements;
3. The condominium association approves a prospective tenant;
4. The homeowner provide the condominium association the names of tenants;
5. Rentals may not have initial lease terms less than 30 days;
6. Lease terms may not exceed a maximum number of days or months (e.g., no more than 6 months, 12 months, etc).
7. The number of rental units in the association may not exceed a certain number, provided that this maximum does not exceed the current FHA owner-occupancy requirements.

Q. Can an HOA be approved if they have a Right of First Refusal in their governing documents?

A. No. No matter what the language, an HOA cannot receive FHA approval with any Right of First Refusal included in their governing documents.

Q. Is HO6 insurance required for an FHA Loan?

A. A provision requiring HO-6 (“walls-in”) insurance be held by the homeowner if not already carried by the HOA expires on 4/28/11. At this time, if the HOA does not carry an “all-in” insurance policy, then the homeowner must carry the HO6 (“walls-in”) policy when refinancing or acquiring new FHA loans.

Don’t be perplexed about the FHA Certification process – Association Online™ is here to help! Whether you just need some questions answered, or are looking for someone to prepare the project for you, our resources will simplify the process.

Contact us for a free screen to determine if your HOA meets the FHA Certification requirements. Hire us to prepare the package – we gather all the information and organize all the disclosures; managers spend less than an hour (and often only minutes) of their own time. We can have the package out the door, usually, in 48 hours.

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