



## FHA Condo Approval Requirement Checklist

1. **Project must be 2 or more units.**
2. **Hazard and liability insurance required and, when applicable, flood and fidelity insurance.**

### **Insurance requirements include:**

- a. Master policy property insurance in the amount equal to 100% of current replacement cost of the condominium exclusive of land, foundation, excavation and other items typically excluded from coverage. The borrower may not obtain "gap" coverage if the HOA doesn't maintain 100% coverage.
  - b. HO-6 coverage must be obtained if the master policy doesn't include interior unit coverage ("walls-in")
  - c. General liability insurance covering all common areas, commercial space owned and leased, and public areas.
  - d. Fidelity Bond/Fidelity insurance is required for new and established project with 20 or more units.
  - e. Flood insurance (if applicable), must equal the replacement cost of the project less land costs or up to the NFIP standard of \$250,000 per unit, whichever is less.
3. **25% maximum – Total floor area of project or unit that can be used for non-residential/commercial purposes.**
  4. **10% maximum – Units owned by a single entity** (same individual, investor group, partnership, or corporation). For condominiums with 10 or fewer units, no single entity may own more than one unit within the project. Limitation applies to developer/builder.
  5. **15% maximum – Home owners that are 30 days delinquent on HOA dues. (includes investor, bank-owned, vacant)**



**6. 50% maximum – FHA Financed Concentration Limit**

- a. Current concentration information will be displayed on FHA's Approved Condominium listing. (FHA will not issue a new case number once the 50% concentration level has been reached.)
- b. Projects consisting of three or fewer units will have no more than one unit encumbered with an FHA loan.
- c. Projects consisting of four or more units will have no more than 50% of the total units encumbered by an FHA loan.
- d. Calculation of the level of concentration in a project declared with legal phase will follow the same methodology as owner occupancy.

**7. Association Litigation: If there is a pending litigation lawsuit will have to be approved by FHA or lender with authority to approve project.**

**8. First Right of Refusal allowed if no violation of Fair Housing Act.**

**9. 10% reserve of budget required.**

**NEW CONSTRUCTION**

1. **30 % minimum -At least 30% of the total units must be sold.** This pre-sale requirement is not applicable to existing projects or non-gut rehabilitation conversions.

**Valid pre-sales include:**

- a. Copies of Sales Contracts and copy of loan commitment OR
  - b. Evidence that units have closed and are occupied; OR
  - c. Information from a developer/builder that lists all of the units already sold, under contract or closed
2. **50% minimum -Units in the project that are owner occupied or sold to owners who intend to occupy.** For proposed, under construction or projects still in their initial marketing phase, FHA will allow for the minimum occupancy amount to equal 30% of the declared units. One year after the first unit conveyance, the project requirement is at least 50% owner-occupancy of the declared units. (presale requirement still applies).

NOTE: Realtors may not submit approval packages to HUD.

*The above is for information purposes only and does not represent the entirety of the HUD Condo Project approval guidelines.*