



FHA Loan financing on Condo's

Condo financing, as you may know, has become more difficult over the past year. Whether a buyer is obtaining a FHA Loan or Conventional financing for their Arizona mortgage, there are specific guidelines in place by HUD & Fannie Mae to determine eligibility. While both are equally important to cover, I'm focusing today on FHA Loans.

There are two steps in determining if an Arizona buyer can utilize a FHA Loan on a condo:

First ~ we must determine if the Arizona condo project is eligible for a FHA Loan. We do this by going to the following website, <https://entp.hud.gov/idapp/html/condlook.cfm>. A search can be done by condo name, city, zip code, etc. When searching, change the **status** (last dropdown box) to **ALL**. This will inform you if a condo project is approved, pending approval, withdrawn or rejected. The status must be "approved" to move on to the next step.

Second ~ once we determine the project is approved, we are required by FHA to verify the following which is typically done by submitting our condo questionnaire to the HOA:

- *100% of the units have been sold and no entity owns more than 10% of the units*
- *Project holds 10% of the budget in reserves for capital expenditures & deferred maintenance*
- *Control of HOA has been transferred to the owners*
- *Owner-occupancy ratio is at least 50 percent*
- *No more than 15% of the unit owners can be over 30 days delinquent in payment of HOA dues*
- *Litigation for anything other than pursuing delinquent owners for nonpayment of dues will be an issue*
- *Multiple units owned under a single deed and/or mortgage make the project ineligible*
- *Project must meet the FHA Loan concentration level maximums that apply to the specific project type*
- *Note the increased amount of fidelity coverage if the project is 20 or more units - must be 3 months assessments for all units plus the amount currently held in the segregated reserve fund*

When you have a buyer looking to purchase a condo; it's important to check condo eligibility prior to writing the contract. The entire transaction will rest on whether or not the project is approved for financing.

Feel free to call me with any questions you may have. The condo guidelines can be cumbersome to work through. For all Arizona mortgages, I'm here to assist you.

Have a wonderful Arizona weekend!

Kelly

Quote of the week: If people like you they'll listen to you but if they trust you they'll do business with you ~ Zig Ziglar

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