

THE COMMUNITY BUILDER

Condo Financing... Finally Getting a Break?

The Housing Opportunity Through Modernization Act of 2016 was signed into law by President Obama after making its way through the House (by a 427-0 vote) and through the Senate equally as supported. What does this momentous occasion mean to you? If you're on a condominium Board, or are a condominium owner, it means a lot.

The new law calls for changes to the current rules of the Federal Housing Administration (FHA), which disqualified condominium purchasers from obtaining an FHA guaranteed loan, if less than half of the condominium units were owner occupied. That rule which requires at least 50% of the units in a condominium be occupied by an owner has been reduced to 35%. That means that if at least 35% of the units are owner occupied, down from 50%, the condominium can qualify for financing.

Additionally, FHA will be making the project re-certification process for condominiums easier and it will relax a hard rule against condominium association transfer fees. The re-certification process has long been an arduous and expensive undertaking, costing thousands of dollars in legal fees or consulting fees. Many times, even after spending the money, condominium communities failed to meet other requirements to obtain the certification, resulting in lost sales and diminished values.

Under the new law, the Department of Housing and Urban Development (HUD), which oversees FHA, has to amend their rules to make the process easier for a condominium building's eligibility for re-certification. FHA must also relax their policy as it pertains to transfer fees. Currently FHA does not allow for condominium associations to collect transfer fees when a condominium unit sells, but this new law allows for a change in that policy. FHA will now allow transfer fees if such fees will support an improvement in the community, which is more in line with the policies of federal home mortgage companies of Fannie Mae (Federal National Mortgage Association) and Freddie Mac (Federal Home Loan Mortgage Corporation).

The Congressional Budget Office (CBO) estimated that the House bill would boost FHA guarantee lending by \$8 billion between 2017 and 2021, as more condo buyers would be eligible for FHA lending.

