

# The Crossing Condominium

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- Unit Owners Association -

## FHA Certification Status

This memo responds to recent inquiries regarding The Crossing's Federal Housing Administration (FHA) certification status. The Board of Directors has decided to temporarily delay the recertification process. The Board understands that some unit owners may disagree with this decision, but the Board has carefully considered the matter and has concluded that this is the appropriate course of action for the Association in view of the current FHA regulations.

During 2011, the FHA implemented major regulatory changes related to the certification of condominium communities. On July 31 of that year, The Crossing's certification expired because of those changes. The fact that The Crossing is no longer FHA-certified is not uncommon, inasmuch as some estimates suggest barely 25% of all condo projects that are potentially eligible for FHA financing are currently approved.

Simply put, the regulatory changes have had the effect of dissuading some condominium association boards of directors from seeking FHA approval or recertification of their condominium communities for FHA loans. Among the many requirements for obtaining certification, FHA requires that at least 51% of the units in the condominium be owner-occupied and that no more than 15% of the units be 30 days or more in arrears on payments of condo fees to the Association. Although the Board believes that our community presently meets these two requirements, the Board is not confident that our community will remain compliant. Why would this be a problem? Because the FHA regulations created a burdensome "continuing obligation" to report to the FHA any changes to the information provided in the application. There is also a substantial penalty if such reports are neglected. In addition, of particular concern to the Board is the potential for significant personal liability in the event that an inadvertent misrepresentation is made to the FHA during the certification process.

Clearly, the changes to the FHA certification process for condominiums have had wide-ranging impact on the housing market at the national level. Because of this, and as discussed in an article recently published by various news outlets (including the *Washington Post*) entitled *Condo Sales May Become Easier if FHA Revises Rules Governing Mortgages*, the FHA is readying changes to these controversial rules. Therefore, the Board has decided to delay pursuing recertification until the FHA publishes its revised rules.

The Board understands this decision may limit the ability of some owners to refinance their units with FHA-backed mortgages, but other options exist that do not require a typical 80% or greater loan-to-value ratio. The Board suggests owners discuss these options with the lender of their choice. The Board further understands this decision may limit the potential pool of buyers for any unit in the community, but recent sales suggest this has had little to no impact.

Any further questions regarding this topic may be directed to the Board of Directors.

Regards,  
The Board of Directors of The Crossing Condominium Unit Owners Association