

Eagle Funding

BROKER MEMO

Date: September 21, 2009

Subject: Revised FHA Condo approval procedures

When Mortgagee Letter 2009-19 takes affect on November 2, 2009, the FHA condominium approval process methods known as HRAP and DELRAP will be activated. Concurrently with that step, FHA will cancel the FHA spot condo loan program and cancel the “approved” status of all FHA condo projects that were approved prior to November 2, 2008. In order to originate an FHA loan in any of the projects that lose their FHA approved status, the project will have to be re-approved.

With over 15,000 projects scheduled to lose their FHA approved status on November 2nd in the Santa Ana Region, there will be a “rush” by all lenders and mortgage brokers to get these projects re-approved. The current turn around time for FHA in Santa Ana to approve a project is about 3 months, and that time frame will only worsen as the reinstatement requests are submitted. Before undertaking a reinstatement request, all Brokers should ask the following 4 basic questions and get a positive response from the HOA before proceeding:

- 1) **Does the HOA have a current reserve report?**
- 2) **Does the HOA have an amount equal to 60%, or more, of the dollar amount recommended by the reserve study to be in its reserve account for the current year (2009) actually in the account now?**
- 3) **If not, are the unit owners prepared to assess themselves to provide the reserve funds required?**
- 4) **If needed, is the HOA prepared to pay an attorney to write the FHA Certification letter?**

If the answer to questions 1, 2, or 3 is “NO”, the Broker should go no further. It’s a dead issue until the HOA decides to invest the money needed for a reserve study or into their reserve account. If the Broker initiates the reinstatement process, any potential borrower should be advised to wait for project approval to occur before applying. Eagle Funding cannot guarantee that FHA will approve any project. FHA is adopting FannieMae’s requirements that no more than 15% of the units are 30 days delinquent on their HOA dues. Also, the hazard insurance policy must provide “walls-in” coverage or the borrower must purchase an HO-6 policy. FHA will limit the number of FHA loans in a project to 30% of the units in that project.

For questions, please contact your Account Executive. Thank you for your business.

David Baker
VP – Wholesale, Eagle Funding