

## Condo News courtesy of E-Mortgage Bankers

### Some condo owners may lose FHA financing

*Their ability to sell or refinance their units could be hampered if their condo projects missed a key deadline for recertification.*

Tens of thousands of condominium unit owners around the country may not know it, but their ability to sell or refinance could be jeopardized by a rolling series of federal government deadlines.

On Wednesday, an estimated 2,200 condominium projects missed an eligibility deadline involving sales or refinancing using Federal Housing Administration-insured mortgages. The deadline was originally set by FHA for recertification or approval of these projects, but at the last minute the agency agreed to extend eligibility for most of them -- 23,000 projects -- into next year, with a series of rolling expiration dates. A group of 2,200 condo projects around the country received extensions only until the end of last year.

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What this means, say lenders and condo experts, is that unsuspecting unit owners nationwide could suddenly be cut off from an increasingly important source of mortgage money. In some markets where FHA accounts for 75% or more of first-time home purchases, condo sellers could be severely handicapped. In parts of the country with heavy concentrations of condos, such as California, Florida, New England, Washington, D.C., and the urban Midwest, the effects could even depress sales prices.

"This is a travesty" unfolding, said Jon Eberhardt, president of Condo Approvals LLC, a national consulting firm based in Torrance. "You've got thousands of people out there with no idea" that FHA financing could evaporate for them in the near future.

"This is going to be a big problem," said Steve Stamets, a loan officer with Union Mortgage Group in Rockville, Md., with numerous condo clients. "I expect you will have frantic sellers pushing management companies" to get their condo buildings approved.

The eligibility issue dates to November 2009, when the FHA published new rules on the types of condo projects acceptable for mortgages on unit sales and refinancing. The rules were the outgrowth of a review that found the FHA — essentially a government-owned insurance company — had approved thousands of projects over the previous two decades but possessed inadequate current information on their underlying homeowners' associations' budgets, legal documents, insurance coverage, renter-to-owner ratios, delinquencies on condo fee payments, the amount of commercial space and a variety of other characteristics that could affect a project's financial stability.