

Friday, October 18, 2019

Bulletin #2019-AC-025

NOTICE TO ALL CUSTOMERS

Important FHA Condominium Single Unit Approval

Effective today, October 18, 2019, FLCBank will accept Condominium Single Unit Approval (SUA) on FHA loans with Case Numbers Assigned on or after October 15, 2019.

I. Condominium Single Unit Approval (SUA) Eligibility Summary

- Borrower Eligibility Requirement:
 - Maximum financing is available when AUS score is an ‘Accept’
 - The LTV is limited to 90% when the AUS result is a “Refer” or when the loan manually downgraded
- Condominium Project Eligibility:
 - Be an existing project
 - Have at least 5 units
 - Cannot be a Manufactured Home
 - Not be located in an FHA Approved Condominium Project or unapproved Phase of a Condominium Project with an approved legal phase.
- Eligible Condominium Unit Properties:
 - Meet FHA’s SUA Concentration: Cannot exceed 10% in a project with ≥ 10 units, or no more than 2 units in a project with < 10 units.
 - Owner Occupancy Percentage must be at least 50% of the total number of units.
 - Individual Owner or Related Party Concentration: Cannot exceed 10% in projects with ≥ 20 units, or no more than 1 unit in a project with < 20 units.
 - Financial Condition:
 - The Condominium Association maintains separate accounts for operating and reserve funds;
 - A reserve account for capital expenditures and deferred maintenance is funded with at least 10% of the aggregate monthly HOA dues (unless a lower amount is deemed sufficient by a reserves study); and
 - No more than 15% of the total units are >60 days past due (arrear).
 - Documentation must be provided evidencing that the Condominium Project has not experienced a financial distress event within the past three (3) years.
 - Commercial/Non-Residential Space: cannot exceed 35% of the Condominium Project’s Total Floor Area. This must be documented and verified via the recorded site condominium plans; and recorded CC&Rs.
 - Live-Work Unit: the individual Live-Work unit does not contain $> 49\%$ commercial/non-residential space.

Please refer to the FHA Guidelines and the Condo-PUD Guides to see the full list of requirements and procedures as the above information is not an all-inclusive list of requirements and policy.

II. FHA Case Number Assignment for Condominiums under the Single Unit Approval (SUA)z Process

To process a case number assignment for Single Unit Approvals, the Loan Originator must confirm the Condominium Project is not on the FHA Approved Condominium List at the time the request for the FHA Case Number is submitted to FLCB and follow the standard FLC Bank's process for requesting the case number for a condominium loan and complete the following fields in the case assignment request:

- Select the associated Condo ID (if one exists) in the PUD/Condo ID field; and
- Select Single Unit Approval from the drop-down menu within the "Site Condo" field.

The case number assignment request will default into "Holds Tracking". The loan originator must submit the required documentation to the Condominium Review Department via e-mail at condoreview@flcb.com where the Project will be reviewed for eligibility. Refer to the Single Unit Approval (SUA) Review Process.

III. Single Unit Approval (SUA) Review Process

The loan originator must submit to FLC Bank's Condominium Review Department via e-mail at condoreview@flcb.com the fully completed FHA Single Unit Approval Questionnaire - HUD Form 9991 (forms is available in the Resource Center) along with the following required documents:

- Certificate of Insurance:
 - a) Property/wind
 - b) Liability
 - c) Fidelity.
 - d) FEMA Flood Map.
 - e) Flood including RCV, if required.
 - f) HO-6 if Master insurance is not walls in.
- Recorded copy of CCR's or Declaration of Condominium.
- Recorded copy of By-Laws of Condominium.
- Recorded copy of Articles of Incorporation of the condo association. If unincorporated please advice.
- Financials:
 - a) Current Annual Budget
 - b) YTD Operating Statement.
 - c) Prior Year Operating Statement.
 - d) Balance Statement (Less than 90 days)
 - e) Financial Distress Resolution
- Litigation- Provide copy of Complaint(s).

If the Condominium Project is deemed eligible for FHA Single Unit Approval by the Condominium Review Department, an e-mail with all the required documentation will be submitted to the FHA Resource Center at answers@hud.gov as per Mortgagee Letter [2019-13](#); please refer to the Condo-PUD guides for additional information.

Resources: [FHA Approved Condominiums, 2019-13](#), FHA Condominium Project Approval Requirements in the [SFH 4000.1](#) Section II.A.8.p; II. C; and II.D.6.a

The Product Guidelines will be updated in the next few days, in the meantime, use the policy in this bulletin. Updated guides will be posted on the FLCB website at www.flcbmtg.com. Changes will be noted in blue font for easy reference.