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To: Clients and Friends

From: David F. Dulock

Subject: FHA Issues New Condominium Approval Process

In the August 15, 2019, *Federal Register* (84 FR 41846, [click here](#)) and the August 14, 2019, update to FHA Single Family Housing Policy Handbook 4000.1 ([click here](#)), FHA issued new and revised regulations and new and revised Handbook requirements, respectively, which establish a new condominium approval process, effective October 15, 2019.

This new condominium approval process includes but is not limited to the following:

- Adds a Direct Endorsement Lender Review and Approval Process (DELRAP) authority requirement for mortgagees that choose to participate in the review and approval of condominium projects;
- Introduces a new single-unit approval process for individual condominium units to be eligible for FHA-insured financing if the condominium project is not FHA approved;
- Extends the recertification requirement for approved condominium projects from two to three years;
- Allows more mixed-use condominium projects to be eligible for FHA insurance.

In the above hyperlinked section of the *Federal Register*, the FHA amends the following regulations in 24 CFR Parts 203, 206 and 234:

1. In Part 203—Single Family Mortgage Insurance, the FHA adds §203.8 (Approval of mortgagees for Direct Endorsement Lender Review and Approval Process); revises paragraph (a)(1) of §203.17 (Mortgage provisions); adds §203.43b (Eligibility of mortgages on single-family condominium units); and revises paragraphs (a)(1) and (f) of §203.50 (Eligibility of rehabilitation loans).

2. In Part 206—Home Equity Conversion Mortgage Insurance, the FHA revises §206.51 (Eligibility of mortgages involving a dwelling unit in a condominium); and revises paragraphs (c)(3) and (d) of §206.131 (Contract rights and obligations for mortgages on individual dwelling units in a condominium).

3. In Part 234—Condominium Ownership Mortgage Insurance, the FHA adds §234.2 (Savings clause).

In updated Handbook 4000.1, hyperlinked above, the FHA makes the following amendments:

1. In Section I—Doing Business with FHA, the FHA adds I.A.5.e. (Title II Direct Endorsement Lender Condominium Project Review and Approval Process Authority).

2. In Section II—Origination through Post-Closing/Endorsement, the FHA updates

(2 pages)

II.A.1.b.iv.(B)(4)(b) (Property Eligibility and Acceptability Criteria – Site Condominiums); adds II.A.8.p. (Condominiums) and II.C. (Condominium Project Approval); and updates II.D.6.a. (Condominium Projects – Definition) and II.D.6.d.i. (Site Condominium – Definition).

3. In Section V—Quality Control, Oversight and Compliance, the FHA updates V.A.1.b.iii. (Loan Administration); V.A.2.a.i. (Who May Perform Quality Control – Employees); V.A.3.d.i. (Quality Control Reviews of Specialized Mortgage Programs – Standard); V.C.2.d. (DELRAP Mortgagee Monitoring Reviews); and V.E.3.a.v. (Return to Conditional or Withdrawal of Unconditional DELRAP Authority).

4. Throughout updated Handbook 4000.1 the FHA makes various technical edits, including hyperlinks, punctuation, formatting, grammar, spelling, and capitalization, on pages 148, 152, 154, 166, 168, 183, 253, 328, 331, 362, 364, 366, 371, 404, 538, 544, 545, 555, 586, 591, 620, 623, 705, 722, 734, 757, 758, 766, 772, 890, 920, 975, 979 of the Handbook.

We advise FHA approved mortgagees to read these new and revised FHA regulations and Handbook updates by clicking on the above hyperlinks.

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