

CAI Unites with Housing Allies to Push FHA on Condo Rules

On May 6, 2011, the Community Associations Institute (CAI), the Institute for Real Estate Management, the National Association of Home Builders and the National Association of Realtors united in calling for greater transparency and opportunity for public input into the development of Federal Housing Administration (FHA) lending rules for condominiums. In addition to calling for greater public input, the group united in specific recommendations on key elements of the FHA Condominium Insurance Program.

Specifically, CAI and its allies believe that FHA's process of developing guidance for the condominium approval process lacks adequate public input and as a result has adopted criteria that are not always the best measure of a condominium association's financial health. Additionally, since issuing the initial changes to the condominium approval process, FHA has made no less than eight policy changes. Most recently FHA waived the ban on rental restrictions. While such changes are welcome, the ever evolving standards have been the cause of confusion for associations and lenders as well as FHA staff reviewing applications.

In addition to process issues, CAI and its allies have called on FHA to revise six criteria that they consider problematic. These are owner-occupancy requirements, FHA loan concentration requirements, pre-sale requirements, investor ownership percentages and assessment delinquency criteria. It is hoped that FHA will take the recommendations on process and criteria under consideration as it moves to issue major revisions of the condominium guidelines at the end of June.

You can read the industry ally letter at [this link](#).