

CAI Files Administrative Challenge to FHA Guidance

On Friday, July 22, 2011, CAI filed a challenge to provisions of the FHA Mortgage Insurance Guidance with the Office of Information and Regulatory Affairs. CAI's letter asserts that FHA failed to perform neither the necessary due diligence nor appropriate research prior to issuing Mortgagee Letter 2011-22. Under federal policy embodied in Executive Order 12866, federal agencies are required to meet procedural and substantive requirements prior to issuing regulations. CAI challenged the FHA guidance in four areas: the fidelity insurance mandate for management companies, the 30 day delinquency standard, project certification requirements and provisions related to deed restrictions.

In its filing, CAI noted that FHA failed to examine existing state laws, business practices and existing regulations prior to issuing its guidance. As a result, FHA imposes standards that will create unneeded burdens for businesses and condominium associations. For example, in mandating that management companies carry fidelity bonds to protect association assets, FHA did not examine existing state laws nor even the availability of the bonding the guidelines require. CAI has requested that OIRA refer these matters back to FHA for further discussion with stakeholders like CAI. You can read CAI's challenge [here](#).