CONDOMINIUM SAFETY
Financing for Critical Condo Repairs Act
Summary and Analysis

Rapid Financing for Critical Condo Repairs Act (for condominium associations)

authorizes the U.S. Department of Housing and Urban Development's Federal Housing Administration (FHA) to insure condominium association building rehabilitation made by private lenders.

Legislative Summary

The Rapid Financing for Critical Condo Repairs Act amends Section 234 of the National Housing Act to authorize FHA to insure condominium association building rehabilitation loans.

Condominium association loans are collateralized with pledges of future association assessment income. FHA's mortgage insurance programs are collateralized by real property. As a result, the legislation authorizes the agency to insure condominium association loans collateralized by either assessment income, real property or a combination of the two.

Under the legislation, FHA-insured condominium association loans may be used for the rehabilitation, alteration, repair, improvement, or replacement of a condominium project's common systems, infrastructure, and facilities.

To protect FHA and the U.S. government against financial loss, the legislation allows FHA insurance for only 90% of the cost of building rehabilitation work. This restriction is incorporated into other FHA multifamily housing rehabilitation loan insurance programs.

Background

Condominium associations often finance building repairs with loans from private lenders. These loans tend to have short payment terms, ranging from 10 to 15 years and include prepayment penalties. Some association loans are structured so payments are made as if the loan has a longer term (e.g., payment amortized on 20- or 30-year schedule), but have a balloon payment due by year 10, which requires the association to refinance the loan.

Securing Access to Financing for Exterior Repairs (SAFER) in Condominiums Act (for homeowners in community associations).

THE SAFER Act will increase condominium homeowner willingness to fund structural repairs by reducing financial stress.

- Special assessments must often be paid over a short period of time.
- Homeowners on fixed incomes or with fewer resources face significant financial distress and hardship in paying large special assessments associated with structural repairs.
- Allowing homeowners in these circumstances to finance special assessments over multiple decades rather than a few years reduces financial distress and makes payment of the assessment manageable.

The SAFER Act will help condominium association owners afford special assessments for structural repairs and may allow for structural repairs to be completed before a tragedy occurs.

- The SAFER Act amends existing FHA home repair and renovation mortgage insurance programs to allow condominium homeowners to finance structural repair special assessments over a 20-to-30-year time frame.
- The FHA Section 203(k) rehabilitation program allows homeowners and homebuyers to include rehabilitation costs in 30-year mortgages that are eligible for FHA mortgage insurance.
- The FHA Title I Property Preservation Program allows homeowners to fund property restoration and repairs through an FHA-insured second mortgage with a 20-year term.

The SAFER Act is not a bailout for condominiums or condominium homeowners.

- Homeowners will take out mortgage loans secured by their condominium unit and these loans must be repaid.
- FHA-insured home restoration and rehabilitation mortgages are NOT grants.
- Condominium homeowners are still incentivized to fund maintenance schedules in annual budgets and maintain association reserves to pay for expected repairs and system replacements.

2022 Legislation - H.R. 7532 - SAFER in Condos Act of 2022 and H.R.8304 - Rapid Financing for Critical Condo Repairs Act of 2022

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