



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: September 27, 2019

Mortgagee Letter 2019-17

To: All FHA-Approved Mortgagees
All Direct Endorsement Underwriters
All HUD-Approved Housing Counseling Agencies

Subject Home Equity Conversion Mortgage (HECM) Program – Condominium Requirements

Purpose This Mortgagee Letter (ML) provides updated origination requirements for HECMs in condominium units (Units).

This ML also establishes borrower eligibility requirements for prospective HECM borrowers seeking to use the Single-Unit Approval process to obtain FHA insurance on an individual condominium unit.

Effective Date The provisions of this ML are effective October 15, 2019.

All policy updates will be incorporated into a forthcoming update of the HUD Single Family Housing Policy Handbook 4000.1 (Handbook 4000.1).

Public Feedback HUD welcomes feedback from interested parties for a period of 30 calendar days from the date of issuance. To provide any feedback on this policy document, please send comments to the FHA Resource Center at answers@hud.gov. HUD will consider the feedback in determining the need for future updates.

Affected Programs This ML is applicable to all traditional, refinance and purchase HECMs.

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Background On August 14, 2019, the Federal Housing Administration published the *Project Approval for Single-Family Condominiums* final rule, Docket No. FR-5715-F-02, amending 24 CFR Parts 203, 206 and 234, implementing HUD's authority under the single-family mortgage insurance provisions of the National Housing Act to insure one-family units in a multifamily project. In addition, Handbook 4000.1 was updated to include requirements for mortgagees to obtain approval to participate in the Direct Endorsement Lender Review and Approval Process (DELRAP) and HUD Review and Approval Process (HRAP) for condominiums, and standards that individual Units must meet to be approved under the Single-Unit Approval process. This ML requires HECM mortgagees to comply with the Condominium Project Approval requirements in Section II.C, and the Condominium requirements in Section II.A.8.p. of Handbook 4000.1, except as noted below.

Summary of Changes The Condominium Project Approval requirements in Section II.C of Handbook 4000.1 and the requirements for Units in approved projects, site condominiums, and Units in projects not approved by FHA in Section II.A.8.p, Condominiums, apply to HECMs with the additional guidance below.

Condominium Project Approval FHA will insure HECMs on Units in approved condominium projects that have been approved under the HRAP or DELRAP in accordance with Section II.C, Condominium Project Approval, of Handbook 4000.1.

Requirements for Units in Approved Condominium Projects:

The Mortgagee must ensure all HECMs comply with the requirements in Section II.A.8.p. Condominiums, of Handbook 4000.1 when the individual Unit is within an approved condominium project.

All other existing HECM eligibility and program requirements remain in effect.

Condominium Units Not Requiring Approval **Real Estate Owned Mortgages**
FHA will insure HECMs on FHA/HUD real estate owned transactions that comply with Section II.A.8.p.i.A, Real Estate Owned Mortgages, of Handbook 4000.1.

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Single-Unit Approval

FHA will insure HECMs on Units approved in accordance with Section II.A.8.p.iii, Single-Unit Approval, of Handbook 4000.1, provided that the mortgagee verifies the prospective HECM borrower:

- meets the applicable geographical residual income standard as stated in Section 3.100 of the HECM Financial Assessment and Property Charge Guide without the use of Compensating Factors; and
- has a satisfactory property charge payment history as stated in Section 2.28 of the HECM Financial Assessment and Property Charge Guide without the use of Extenuating Circumstances.

All other existing HECM eligibility and program requirements remain in effect.

Site Condominiums

FHA will insure HECMs on Units that meet the definition for a Site Condominium and comply with standards set forth in Section II.A.8.p.iv, Site Condominiums, of Handbook 4000.1.

Paperwork Reduction Act

The information collection requirements contained in this document are approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1996 (44 U.S.C. 3501-3520) and assigned OMB Control Number 2502-0524. In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to a collection of information unless the collection displays a currently valid OMB Control Number.

Questions

For additional information on this ML, please visit www.hud.gov/answers or call FHA's Resource Center at 1-800-CALLFHA (1-800-225-5342). Persons with hearing or speech impairments may reach this number via TTY by calling the Federal Relay Service at 1-800-877-8339.

Signature

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