

CONDOMINIUM CONSIDERATIONS

HDF urges you to learn all you can learn about a Condo/Townhouse you may be interested in. Association fees and what they cover are only one of the many pieces of information you should gather. You should be concerned about **the financial stability of the association and the rules and regulations** that you will have to live by if you purchase.

In order for us to approve a loan for any condominium project, it must meet certain criteria.

If it is on the HUD approved FHA list, you will not be required to provide additional information.

- 1) To determine if it is on the FHA list, go to www.HUD.gov.
- 2) Click on “Resources” → “HUD Approved Condominium Projects”. Enter the information required.

If it is NOT on the HUD list you will be required to provide HDF with:

- Condo project questionnaire
- Resale Certificate
- Budget for **BOTH** the current year to date and the most recent full year (if no line item for replacement reserves, a statement from Management Company detailing the reserves must be provided)
- Income statement for **BOTH** the current year to date and the most recent full year
- Balance sheet (AKA Statement of Assets & Liabilities) for **BOTH** the current year to date and most recent full year
- Condo by-laws AND Declarations
- Actual insurance certificate (ACCORD), **to include** fidelity insurance (AKA Officers & Directors coverage) if complex has more than 20 units, and flood insurance if complex is in zones A or V

The bank you are using for a first mortgage may request this information on your behalf from the association. If not, you will be required to obtain all the documents. The condo association may ask you for a questionnaire to complete but will have copies of the other documents. There is a condo questionnaire included in this folder.

NOTE: If the condo you are interested in is NOT FHA approved or does not meet minimum standards mortgage, financing may not be available. Bank criteria could be different than HDF's.

This is the minimum criteria the condo must meet to obtain HDF approval:

- Owner occupancy 51% or higher (Actual: _____)
- Commercial space is no more than 25% of total (Actual: _____)
- HOA fee delinquency rate (30 days or more) is no higher than 15%
- Investor concentration is no more than 10% of total units (Actual _____)
- Adequate budget has been provided and reviewed
- No pending lawsuits or litigation, unless the issue is sufficiently insured against
- Adequate hazard, liability, fidelity and flood insurance (if applicable) is in place. Flood insurance is required in zones A and V. General liability insurance should specify a minimum of \$1,000,000 per occurrence. Hazard insurance should be based on replacement cost. Fidelity insurance is needed if the project is larger than 20 units.