

LENDERS UPDATE™

A MONTHLY SERVICE TO THE MORTGAGE LENDING INDUSTRY

AN ALT & ASSOCIATES NEWSLETTER

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NEW MORTGAGEE LETTERS

US Department of Urban Development and Housing (“HUD”) issued a number of Mortgagee Letters this month, January 2011. Two seem to be of particular importance:

MORTGAGEE LETTER 2011-03 EXTENSION OF TEMPORARY GUIDANCE FOR CONDOMINIUM POLICIES.

HUD has extended its Temporary Condominium Policy originally issued in 2009. The policy is now extended to FHA case numbers assigned through June 30, 2011. The “spot loan” approval process is not extended.

1. FHA Concentration requirements.

FHA Concentration requirements continue to be increased temporarily to 50%. The FHA Concentration may be increased to 100% if the project meets all the basic condominium standards described in Mortgage Letter 2009-46 B plus these additional items:

- Project is 100% complete for at least 1 year.
- 100% of the units have been sold and no entity owns more than 10%.

- Budget for the Condominium Association calls for funding of replacement reserves representing at least 10% of the budget.
- Control of the HOA is transferred to the owners.
- The owner occupancy rate is 50%.

2. Owner Occupancy Requirements.

50% of the units must be owner occupied or sold to owners who intend to occupy. For projects under construction or in initial marketing, FHA will allow a minimum owner occupancy amount of equal to 50% of the number presold. Vacant or REO units may be excluded from this calculation.

3. Pre-Sale Requirements.

Pre-Sale requirements as defined in Mortgagee Letter 2009-46 B are temporarily reduced to 30% however the pre-sale percentage must still be documented with copies of sales agreements, loan approvals, evidence of units closed and/or occupied, information from the builder that lists units sold, under contract or closed.

4. Florida Condominium Project Approval.

Approval of Condominium projects in Florida must be submitted to the Home Ownership Center in Atlanta. These projects are not eligible for approval using the Direct Endorsement Lender Review and Approval Process.

MORTGAGEE LETTER 2011-07, ELIMINATION OF MASTER APPRAISAL REPORT (“MAR”).

Mortgagee Letter 2011-07 announces the elimination of Master Appraisal Reports as an acceptable appraisal reporting procedure. Effective as of January 12, 2011 no new case numbers may be assigned in which the appraisal report is a MAR. Any case numbers that have been previously issued in connection with a MAR and which have not been assigned to a specific individual property, may not be used. For those case numbers which have been issued in connection with an MAR but not assigned to a specific property, a new case number must be obtained in an FHA connection.

These changes apply to reporting procedures and evaluation of 1-4 unit single family properties.

MARS may only be used for 5 or more lots in the same project and only for proposed construction.

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