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The Federal Housing Administration relents

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Recently, there has been an increase in the number of condominium project approval applications submitted with language that allows rental of a unit for less than 30 days, use of a unit for hotel purposes or contains mortgagee exception clauses. The term transient or hotel purposes is defined to mean (1) any rental for a period of less than 30 days, or (2) any rental if the occupants of the housing accommodations are provided customary hotel services such as room service for food and beverages, maid service, furnishing and laundering of linen, and bellboy service.

To date, condominium legal governing documents containing the unacceptable language have made the project ineligible for FHA approval unless the documents have been amended to remove or revise the language.

The FHA has announced that condominiums providing bank owned properties limited flexibility from transient leasing prohibitions are now eligible for FHA approval. CAI applauds FHA's decision, which will make it easier for more condominiums to be certified by FHA.

Two Compliance Options

Under FHA's new policy, condominium associations in violation of FHA prohibitions on transient leasing are offered two compliance options:

The association may amend governing documents to remove bank owned property exemptions from transient leasing prohibitions,

Or

The association board may provide a dated and signed statement on association letterhead affirming that no units within the condominium project are leased for a term of less than 30 days and tenants are not provided services commonly associated with a hotel.

"I commend FHA for showing regulatory restraint and working proactively to find a solution to an issue that was critical for many CAI members," said Tom Skiba, CAI's Chief Executive Officer.

"FHA's new policy preserves the integrity of association governance while ensuring full compliance with federal law."

If the association determines that they will not amend the legal governing documents but will provide a statement, then the originating lender will also be required to provide an executed statement on letterhead, signed and dated, that affirms in the event of a conveyance action to the lender that they will not rent the associated unit for less than 30 days and/or provide any services normally associated with a hotel.

CAI is coordinating with FHA on standard language that may be used to satisfy the required statement regarding transient or hotel leasing under the new policy. This language, accompanied by additional guidance, will be circulated to CAI members.

CAI's Mortgage Matters initiative is a comprehensive response to critical challenges at the federal level. The common thread to each of these challenges is to ensure that potential homebuyers have

access to affordable mortgage products and that the criteria used to determine loans in community associations are realistic measures of an association's financial health. For more information about the initiative and its progress, visit www.caionline.org.

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