

NAR Issue Summaries

Housing / FHA Condo Financing

NAR Committee:

Federal Financing and Housing Policy Committee

What is the fundamental issue?

After more than a decade of advocacy by NAR, FHA has published new condominium guidelines that reduce burdens on properties to become approved.

I am a real estate professional. What does this mean for my business?

We believe the new changes could result in 60,000 more units available per year.

NAR Policy:

Condominiums continue to be the most affordable homeownership option for many first time buyers, small families, single people, and older Americans. NAR strongly supports loosening FHA's condominium rules to ensure that more homeowners will be able to sell their units, and homebuyers will have more opportunities to buy affordable properties.

Opposition Arguments:

Opponents of NAR policy believe that condominium properties are more inherently risky than other residential real estate, and that the federal government should not be involved in that market. They also believe that condo properties that include rental units are even more risky because the renters don't have the investment and may not treat the property as well as owners. Therefore, they think FHA's restriction on the number of rental units reduces the risk.

Legislative/Regulatory Status/Outlook

On August 14, 2019, HUD published the long-awaited condo rules; which went into effect on October 15, 2019. These rules reduce owner-occupancy requirements for some properties; raise commercial space limits; extend approval time frames; re-instate single-unit approval, and reduce the burdens of the re-certification process. NAR estimates this could provide up to 60,000 more condominium units for FHA buyers per year. NAR is now monitoring the implementation to ensure the program works as well as expected.

Current Legislation/Regulation (bill number or regulation)

None at this time.

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