

## **Notice of Change to FHA Certification and Re-Certification Requirements**

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On June 30, 2011, the FHA published a new 95 page Condominium Project Approval and Processing Guide ("Guide"). While the Guide primarily reiterated existing requirements for FHA certification and re-certification, the Guide also identified a number of new requirements. Included in these new requirements was the mandate that the management company for a professionally managed association maintain a fidelity bond or bonds for its officers, employees and agents that handle or are responsible for the funds of the association, or administer the funds on behalf of the association. The Guide required that the bond(s) name the association as an obligee. The Guide further required that these bond(s) be in an amount not less than the estimated maximum funds, including current reserves, in the custody of the association or management agent at any given time during the term of the bond(s) and, in no event be less than the sum of three (3) months' aggregate assessments on all units plus reserve funds.

We have been informed that the FHA has now agreed to rescind this requirement and instead require that the association obtain a designated agents rider endorsement adding the management company to its fidelity coverage. This change in requirements is good news for management companies that have clients who are or wish to become FHA certified.

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