

Home Savings of America

Wholesale Lending

BROKER BULLETIN



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Detailed Requirements

This is to clarify our stance regarding HOA assessments being junior to the first lien mortgage.

Only applies to FHA. Does NOT apply to VA.

FHA requirements are clarified and updated as indicated below, with key changes in **red**:

FHA requires evidence that homeowner's association assessments are subordinate to the first lien. To meet FHA's requirements, the following must be documented for all FHA purchases and rate and term and cash-out refinance transactions (**streamline transactions are exempt**).

The documentation requirements are:

PUDS

For FHA loans secured by a PUD, one of the following must be provided prior to closing:

- A copy of the homeowner's association by-laws indicating that HOA assessments are subordinate to mortgage liens, or
- A subordination agreement executed by a representative of the homeowner's association indicating that all current and future HOA assessments are subordinate to mortgage liens, or
- The title commitment stating the title company will insure over any HOA assessment liens, or
- Letter on letterhead from the title company indicating that HOA assessments cannot take first lien position in the state in which the property is located, or
- **If state law gives HOA assessments a "super-lien" position, a letter from the HOA indicating that all HOA assessments with the exception of the mandatory super-liens are subordinate to the FHA mortgage is required.**

CONDOMINIUMS

For FHA approved condominiums, evidence of condominium approval is sufficient to demonstrate HOA assessments are subordinate to the first lien; no further documentation is required.

Locks/Pipeline

Effective immediately

Questions

If you have any questions, contact your Community Banker.

Home Savings of America
35 East Broadway Little Falls, MN 56345

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