

Sep 13 2012

Practice Area: Community Associations

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Wisconsin condominium associations seeking FHA certification – a status which makes sale of units easier -- will be able to apply for that certification without the unreasonable risk of criminal penalties for their volunteer members. For the last year, or so, each application for FHA certification required that board members risk criminal penalties if their statements were inaccurate or became inaccurate within two years following the application. Our clients who wanted certification after this onerous rule took effect knew that we advised: "Don't sign!" But this problem has been removed by FHA action taken today.

Today (September 13<sup>th</sup>, 2012,) FHA changed the warranties of certification that board members need to sign when applying for FHA certification. Now, the applicant need only state that representations are true "to the best of my knowledge" and that the applicant relied on the advice of legal counsel. Gone is the risk of unintentional inaccuracies being misconstrued and the possibility of prosecution. Now, only intentional falsehoods are subject to prosecution.

FHA certification has proved valuable to some associations because it makes lending to condo buyers easier. The main benefit is that FHA requires small down-payments (as low as three percent), compared to other finance vehicles. FHA guarantees the loan, which makes the seller, buyer and the bank happy.

FHA stills has a number of other requirements, and stubbornly clings to certain policies which we think are damaging to the multi-family form of housing ownership known as condominiums. But this is progress and we are suggesting that our clients reconsider this option.

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