



## ***Practice Note***

*September 2011*

### ***FHA Condominium Project Approval: When Do You Need It And How Do You Get It?***

#### **Who is FHA?**

The Federal Housing Administration (FHA), created in 1934, became part of the Department of Housing and Urban Development in 1965. Its function is to provide mortgage insurance on loans made by FHA-approved lenders in the United States and its territories. The mortgage insurance is provided to a lender making a qualifying loan, to protect the lender against a default by the borrower. A loan that qualifies for FHA insurance typically carries a higher risk of borrower default because it requires little or no cash investment by the borrower and allows the lender greater flexibility in calculating the borrower's income and payment ratios in determining whether or not to lend. Without the insurance provided by FHA, lenders would not make these riskier loans and would-be homeowners who have small or no downpayments and lower household income would have no ability to buy a home.

The borrower pays for the mortgage insurance, as a part of the monthly mortgage payment. As the borrower's equity in the property grows, the need for the mortgage insurance will disappear, and eventually the mortgage insurance will be dropped from the loan.

In order to issue its insurance, FHA regulates the type and amount of the loan, the lender making it and the type of property being mortgaged. This *Practice Note* will touch briefly on the FHA lender approval process and focus on the approval of condominium projects for FHA insurance. Whether you represent a lender, CIC developer or a buyer of a unit who is obtaining an FHA mortgage, the information in this *Practice Note* may be useful to you.

#### **Qualifying Lenders**

HUD sets the minimum standards and requirements for lenders to qualify for participation in FHA lending programs. The regulations governing the qualification process are found primarily at 24 CFR Part 202. A lender may seek to qualify for participation in Title I or Title II loan programs, or both, but must apply for each approval separately. Separate approval is also required for single-family mortgage insurance programs and multi-family mortgage insurance programs. Title I and Title II are parts of the National Housing Act, 12 USC 1702, *et seq.*

A lender or mortgagee need not necessarily be a chartered bank. Under 24 CFR § 202.5(a), a lender or mortgagee may be "a corporation or other chartered institution, a permanent organization having succession, or a partnership." Different forms of entities have different qualifications they must meet in order to participate in a HUD or FHA mortgage insurance program. Principally, FHA-insured loans are originated by Supervised Lenders or Mortgagees, Non-Supervised Lenders or Mortgagees and Loan Correspondent Lenders or Mortgagees. A Supervised Lender or Mortgagee is an institution that is a member of the Federal Reserve System or insured by the FDIC or NCUA. This category would include most banks and credit unions. A Non-Supervised Lender or Mortgagee is an entity whose principal activity is lending or investing funds in real estate mortgages, consumer installment notes or similar credit instruments or the purchase of consumer installment contracts. This category would include mortgage companies and consumer credit companies. Either of these types of entities, and entities that are neither, can apply for Correspondent Lender status so that they can originate mortgages and submit applications for FHA insurance.

Once a lender qualifies to originate FHA-insured mortgages and apply for FHA insurance, it can seek status as a Direct Endorsement Lender. The lender must have at least five years of experience in originating single-family mortgages and meet other HUD criteria to qualify. Obtaining Direct Endorsement status allows a lender to process FHA mortgage applications itself, without submitting paperwork to HUD for approval, and also allows the lender to qualify certain types of real property for FHA loans without having to go through HUD.

Condominium projects are one type of real property that is required to have HUD/FHA approval before FHA-insured mortgages can be closed on their units. HUD can and does review condo projects for approval. Direct Endorsement lenders may also review and approve condo projects under certain circumstances. If you represent developers who build condominium projects or you represent the buyer of a condo unit who has applied for an FHA-insured mortgage, you will, sooner or later, deal with the FHA condo approval process. The purpose of this *Practice Note* is to acquaint you with some aspects of the FHA condo approval process, to help you better understand the requirements.

## **Obtaining FHA Approval – Condominiums**

### **1. The Process**

On June 30, 2011, FHA issued a new [Condominium Project Approval and Processing Guide](#) which updates and consolidates its previous instructions to lenders. The condo approval process and thus the contents of the new Guide are governed by the provisions of the National Housing Act and 24 CFR Part 203. The requirements for qualifying a project apply both to forward mortgages and reverse annuity mortgages. In order to allow the insured mortgage to close, FHA requires the condo project to be approved in accordance with the new Guide. There is no longer a separate process for "spot loan approval." In the balance of this *Practice Note*, section references will be to sections of the Condominium Project Approval and Processing Guide of June 30, 2011. To check for an existing FHA approval of a condo project, use the following link: <https://entp.hud.gov/idapp/html/condlook.cfm>.

There are two project approval processing options available: the HRAP and the DELRAP. (Section 1.2.) The HRAP option is the HUD review and approval process in which all of the condo documentation is required to be submitted to HUD for review and approval. The DELRAP option is the Direct Endorsement Lender review and approval process, in which the application for approval and all of the required condo documentation are reviewed and processed by the lender. In order for a lender to use the DELRAP option, the lender must hold unconditional Direct Endorsement (DE) status, employ staff with the knowledge and expertise to review and approve condo projects who are registered with FHA, and have a Quality Control Plan for condo review in place. Under the DELRAP option, the lender can approve the condo project directly but must, within five (5) business days thereafter, provide the review and approval documents to FHA. (Section 1.3.)

**Lender Alert:** Some of the DE Lender requirements are new as of June 30, 2011, such as the registry requirement for DELRAP reviewers and certain aspects of the necessary Quality Control Plan. Consult the new Condominium Project Approval and Processing Guide, particularly Section 4.3 and Chapter 6.

## 2. Eligible Submissions

ONLY the following parties may submit a condo project to HUD or the DE lender:

- the Builder/Developer
- the Homeowners' Association
- the Management Company for the Homeowners' Association
- the Project Consultant for the Developer/Builder
- the Attorney for any of the above

Applications received directly from a borrower, unit owner, seller or real estate agent will not be processed and will be returned to the submitter. (Section 1.3.) It is evident that, since none of these parties may submit an application for approval, neither can an attorney who represents such a party.

If you represent one of the parties recognized as an Eligible Submission Source, the required application and documentation may be furnished directly to a DE Lender or to HUD at the Homeownership Center (HOC) having jurisdiction over the state in which the project is located. The HOC having jurisdiction over projects in Connecticut, Massachusetts, Vermont, New Hampshire, Maine, Rhode Island and New Jersey is:

U.S. Department of Housing and Urban Development  
Philadelphia Homeownership Center  
The Wanamaker Building  
100 Penn Square East  
Philadelphia, PA 19107-3389

### 3. HRAP Only Approvals

Certain types of projects are required to be approved through the HRAP option only:

- conversions of existing properties to a condominium regime (Section 1.5.1)

**Submission Alert:** Conversions are divided into gut-rehabilitation conversions and non-gut-rehabilitation conversions. The new Guide has revised the requirements for both of these and should be consulted prior to submission for approval.

- manufactured housing or modular home condos
- projects that have gone through bankruptcy, receivership, foreclosure or deed-in-lieu of foreclosure
- live-work projects that provide for some non-residential use within the residential condo

### 4. Ineligible Projects

Certain types of projects are wholly ineligible for FHA insurance and thus HUD approval. The new Guide has clarified ineligible project types. (Section 1.4). They are:

- projects that are not primarily residential. This includes projects that require unit owners to rent their units under rental pool agreements or which limit their ability to occupy the unit
- live-work projects where more than 25% of the total project is used for non-residential purposes
- condominium hotels
- projects located within the designated coastal barriers of the Atlantic Ocean, Gulf of Mexico or Great Lakes
- timeshares
- houseboat projects
- multi-dwelling unit condos (more than one dwelling per condo unit)
- assisted living facilities
- projects in which the declarant retains ownership of the common areas or amenities after the Association has been turned over to unit owner control

## 5. What To Submit

There are basic documents that are required to be submitted with every request for FHA approval: copies of the recorded documents – declaration, Master Deed, etc. – which create the condo on the land records, the recorded plot map with legal description and recorded site plan(s), signed bylaws, the documents forming the Association, current year's budget, Income and Expense statement from previous year, current balance sheet, any signed management agreement, the FEMA flood map and evidence of required Association insurance.

In addition, a Project Certification, in the form attached as Appendix A to the Guide, will be required to be submitted on company letterhead, signed and dated by the mortgagee, Homeowners' Association or builder/developer or by the Association's management company or the project consultant for the builder/developer or by the authorized attorney for any of these parties.

Other documents will also be required, depending on the special circumstances that exist in the condo. Some of those special circumstances and the additional documents required are discussed below.

The June 30, 2011 Guide contains a checklist and forms of letters and certifications that must be followed in submitting a project for FHA approval, and should be consulted.

- a. Environmental Review Requirements (Section 1.7).** For proposed projects or projects under construction for which HUD/FHA approval is being sought under the HRAP option, a Phase I Environmental Site Assessment, meeting the standards set out in the Guide, must now be included in the approval package. The assessment cannot be more than twelve months old. HUD staff will review it.

If the project is being reviewed under the DELRAP option, the reviewing lender must still obtain the Phase I site assessment and it must be included in the package sent to HUD, but HUD review will not be required. However, if the reviewing lender is aware of, or the appraiser identifies, certain environmental conditions, the lender must determine that there are mitigants that address those conditions before completing its review. Some of those special conditions include:

- a project located in a Special Flood Hazard Area on a FEMA map
- property located within 1,000 feet of a highway or freeway, or within 3,000 feet of a railroad or within one mile of an airport
- property located within 3,000 feet of a dump or landfill or a superfund site

- property with a high ground water level, unstable soil or located in a wetland
- a project that is on the National Register of Historic Places or within an historic district

**Submission Alert:** If you are submitting such a project for review, you should be aware that detailed mitigation plans and/or explanations of these conditions may be required, and that additional signoffs may be required for properties located in historic districts or on the National Register by officials with jurisdiction over such properties.

**b. Unique Projects (Section 1.8).** The new Guide establishes some requirements for certain projects, eliminates certain requirements for others, and clarifies some previously-existing requirements, as follows:

**1) Site Condominiums (Section 1.8.1).** The new Guide clarifies the definition of a Site Condo. It is a condominium in which the units are single-family, detached dwellings located on individually-owned lots of land, and insurance and maintenance costs are entirely the unit owner's responsibility.

Site Condominiums do not need FHA project approval.

**2) Manufactured Housing Projects (Section 1.8.2).** These must be submitted for HRAP approval to the applicable HOC. There has been no change to project requirements.

**3) Leasehold Projects (Section 1.8.3).** The requirement for the lease to be approved before any DELRAP review has been eliminated in the new Guide. However, the leasehold must still meet the following requirements:

- it must be for a renewable term of 99 years or have a remaining period of at least 10 years beyond the maturity date of the mortgage
- the Homeowners' Association must be the ground lessee, and must pay the taxes and insurance for the land
- the FHA mortgage must be secured by the borrower's ownership interest in the project, including the interest in the ground lease
- the lease must provide for notice to the mortgagee of any default under the lease, and a right to cure

- there may be no provisions in the lease that provide for forfeiture or termination other than for nonpayment of rent
- there may be no existing default by the Homeowners' Association under the lease

**Submission Alert:** Providing a copy of the ground lease will facilitate the review and approval of the project. It may have been recorded in its entirety when the project was declared or it may be available from the Homeowners' Association.

- 4) **Projects With a Successor Declarant or Other Ownership Change (Section 1.8.4).** There is now a requirement that FHA be notified of an ownership change in the title to a project that has been approved for FHA loans. A letter must be sent to FHA detailing the change, with all supporting documentation relating to the change. FHA may require re-approval of the project.

If such a project is being submitted for approval for the first time, the same documentation must be submitted as part of the review package.

- 5) **Approved Projects or Projects Seeking Approval Where There Has Been a Bankruptcy, Foreclosure, Deed In Lieu, Receivership or Unit Auction (Sections 1.8.5 and 1.8.6).** Requirements have been established in the new Guide for review of such projects, including a "seasoning" requirement of one year before approval or reapproval, full financial reviews and, in the case of a unit auction, an assessment of project stability. In addition to the project documents, the documentation pertaining to the bankruptcy, foreclosure, deed in lieu, receivership or auction must be furnished as part of the review package. Only HRAP review is available.

- 6) **Affordable Housing Projects (Sections 1.8.7 and 1.8.8).** The new Guide clarifies the requirements for FHA approval of such projects. The affordability restrictions must meet the requirements of the exceptions set out in 24 CFR 203.41(c) and (d). The declaration must define which specific units within the project are covered by the affordability restrictions. Generally, property which is subject to restrictions that can void or terminate a buyer/borrower's interest in the property, or that require the consent of third parties to transfer, or that limit the amount of sales proceeds a buyer/borrower can retain are ineligible for FHA approval.

- 7) **Projects with Leased Recreational Facilities (Section 1.8.10).** Any rights to recreational facilities that are part of the condo but which are retained by the declarant must be set out in the declaration and must be reasonable. They also may not bind the Homeowners' Association to any

management contract, employment contract or lease of recreational or parking facilities unless the Association may terminate, without penalty, after transfer of control, with no more than 90 days' notice. In addition to other required project documents, copies of any leases or other contracts will be required to be part of the submission.

**8) Conversions (Section 1.5.1).** The new Guide revises the requirements for both gut-rehabilitation and non-gut-rehabilitation projects, as those are defined in the Guide. The requirements are essentially the same for both project types:

- the conversion must have occurred; that is, the declaration must be recorded
- all rehabilitation work, with the exception of interior unit work that is at the buyer's option, must be complete as evidenced by an engineering or architect's inspection
- a reserve study, no more than 24 months old, that includes an engineer's report must be favorable as to the structural integrity and must include the remaining useful life of major components
- financial documents including the current year's budget, a current balance sheet not more than 90 days old, an Income and Expense Statement and bank statements are required
- the financial review must indicate that there are sufficient funds to maintain any amenities, reserve funds for capital expenditures in an amount equal to at least 10% of the budget, adequate funds for insurance premiums and deductibles, and funds that completely cover the cost of items with a useful life of five years or less
- developer must provide a detailed description of work proposed or completed to ready the unit for sale
- developer must provide a comprehensive sale and marketing strategy, and a transition strategy for any tenants in rented units in non-gut-rehabs
- in non-gut-rehabs, 51% of the units must be either sold or under contract to owner-occupant, principal residence buyers
- no entity, other than the developer/declarant, may own more than 10% of the units



c. **Special Financial Concerns**

- 1) **Condemnation and Total or Partial Destruction (Section 1.8.12).** The declaration or applicable law must provide a reasonable method for dealing with the total or partial loss of a project through condemnation or destruction.
- 2) **Delinquent HOA Dues (Section 2.1.5).** No more than 15% of the total units in the project can owe Homeowners' Association dues or charges that are more than 30 days past due. The percentage includes units that are vacant or bank or investor-owned as well as owner-occupied. The new Guide now provides for an exception to be granted, under the HRAP review process only, if the Association provides financial data and documentation demonstrating it has adequate excess funds and reserves available to meet current operating expenses and component replacement needs and provides evidence of actions to collect the unpaid arrearages.
- 3) **Budget and Financial Documents (Section 2.1.6).** The new Guide clarifies the documents that must be submitted for FHA review, depending on project type. For all types of projects, the current year budget is required. This may be a proposed budget for proposed projects and those under construction.

For projects under construction that are being constructed in phases, an actual year-to-date budget is required. For new projects less than 12 months old, a current balance sheet must be included along with the budget for the declared phases. For existing projects that are more than 12 months old, the current balance sheet must be less than 90 days old.

Bank statements may be requested for all projects.

**Submission Alert:** These documents should be readily available from the Association or management company in the case of existing projects, or from the declarant/developer or its attorney, in the case of projects under construction.

- 4) **Special Assessments (Section 2.1.7).** The new Guide establishes requirements with regard to disclosure of special assessments. Each special assessment requires a signed, dated explanation, provided by the builder, developer, sponsor, Homeowners' Association or management company, that addresses the following:
  - the purpose of the assessment
  - whether it affects the marketability of the units
  - whether there are other special assessments
  - when it is required to be paid

- how it impacts the financial stability of the project
- what impact it has on future value and marketability of the units

5) **Pending Litigation (Section 2.1.8).** The new Guide establishes requirements for the disclosure of pending litigation, other than routine foreclosure actions by mortgagees. A signed and dated explanation of the litigation must be provided by the attorney representing the builder, developer, sponsor, Association or management company. It must address the following:

- the reason for the litigation
- anticipated settlement or judgment date
- if applicable, whether there is sufficient insurance to pay the settlement/judgment without affecting the financial stability of the project
- whether the legal action could impact the future solvency of the HOA
- whether it affects the ability of unit owners to transfer their unit
- whether it impacts the unit owners' rights

**d. Special Unit Concerns**

1) **2-to-4 Unit Projects (Section 1.8.11).** In approving such projects, FHA will defer to state law requirements for creation, but copies of recorded documents that provide for or define the unit owners' responsibilities to maintain, repair and replace common areas must be provided, along with evidence of hazard insurance.

2) **Investor Ownership (Section 2.1.4).** No more than 10% of the units in a condo project may be owned by one investor. Included in this calculation are units owned by the developer/builder that are rented or leased. Unsold, unoccupied units owned by the developer/builder are not included in the calculation.

3) **Flood Insurance (Sections 2.1.9 and 2.1.10).** Mortgagees must determine whether any property improvements within the condo are located in a 100-year flood plain, and must require flood insurance for those that are.

4) **Insurance Requirements (Section 2.1.9).** The Association's Master Policy must provide for 100% replacement cost, subject to the normal exclusions. In addition, the Association must maintain general liability

insurance and, in projects of more than 20 units, fidelity bonds or fidelity insurance for officers, directors, employees and all other persons who handle Association funds. If the Association employs a management company, the management company must carry such insurance, naming the Association as an obligee.

Unit owners are required to carry HO-6 insurance for "walls-in" coverage if the Master Policy does not cover interior improvements and betterments.

- 5) **Pre-Sale Requirements for New Projects (Section 3.4).** There are some changes to these contained in the new Guide. At least 30% of the total units must be sold as evidenced by one of the following:
  - copies of sales agreements and loan commitments from lenders willing to make a loan; or
  - evidence that units have closed and are occupied; or
  - a signed certification from the developer/builder attaching lists, charts or spreadsheets of the units sold, closed or under contract that are used for the builder/developer's internal tracking purposes.
- 6) **Owner-Occupancy Requirements (Section 3.5).** In existing projects, at least 50% of the units must be owner-occupied. In projects under construction or less than 12 months old, at least 30% of the declared units must be owner-occupied. The documentation required is the same as that for pre-sale requirements.
- 7) **FHA Loan Concentration (Section 3.6).** There has been a change to the percentage of FHA loans permitted in a project. FHA will not insure any mortgages in an approved project if 50% or more of the units are FHA insured. FHA tracks the concentration information by project and posts it on the public website: <https://entp.hud.gov/idapp/html/condlook.cfm>. The Guide sets out how the percentage is calculated and under what circumstances exceptions will be made.

## 6. Recertification (Section 2.3)

Condominium project approvals will expire two years after the date the project was placed on FHA's approved list. Six months before certification lapses, the recertification of the project should begin in accordance with the requirements set forth in this section of the Guide. If the initial certification expires or the project was initially approved prior to January 1, 2000, a full project approval will be required.

Recertification can be done only by the same parties who are Eligible Sources of Submission for initial approval: the mortgagee, builder/developer, Homeowners' Association, or management company, or an attorney or project consultant who represents one of these parties.

There is a Recertification Checklist and Recertification Cover Letter appended to the Guide.

No new FHA loans will be made in any project where recertification is required but has not yet been undertaken.

7. **The FHAC System ("FHA Connection") (Chapters 5 and 6).** These Chapters of the new Guide contain step-by-step instructions for FHA staff and/or the staff of DELRAP participating mortgagees on how to use HUD's computerized condo project approval program. All project approvals and recertifications must be done through this system. HUD and DELRAP mortgagee personnel must request authorization from FHA and will be issued the appropriate identification to enable them to access the program. No other parties are authorized to use the FHAC system.

## 8. **The Role of Buyer's and Seller's Closing Counsel**

Neither the closing attorney for the buyer/borrower nor the closing attorney for the seller is an Eligible Source of Submission for project approval. Neither has access to all of the documentation and financial information required to be provided under the HRAP or DELRAP options for review. Neither is a party recognized as having the authority to sign any of the required certifications involved in the approval process. As noted elsewhere in this *Practice Note*, the borrower's mortgagee, the condo Association and the condo declarant/developer are the parties eligible to submit a project for FHA approval and to sign the necessary certifications.

The buyer's mortgagee may be an Eligible Source of Submission if the mortgagee or DE lender is capable of reviewing the condo project without submitting it to HUD. In originating the mortgage and applying for FHA insurance, the lender should check the HUD link for the list of approved projects, to ensure the condo has FHA approval. The earlier in the closing process that a problem is identified, the more likely it is that project approval can be obtained in time for closing.

**HUD estimates that processing time for project approval under either the HRAP or DELRAP option requires up to 30 days from receipt of the package.**

Add to the 30-day processing period the time necessary to assemble the required documents and obtain the needed certifications, and a delay in recognizing that the project is in need of approval can mean a delay in closing.

In a new project that is progressing in phases, the best source of submission for FHA approval is the developer/declarant and its attorney. All of the required documentation

and financial information is in their possession, and the developer/declarant has every incentive to cooperate in the process. Obtaining FHA approval opens up a new source of buyers.

For an existing project, the best source of submission is the Homeowners' Association and its attorney, or the management company acting for the Homeowners' Association. Both of these sources have all the required documentation and financial information, as well as an incentive to cooperate in order to allow units within the project to be easily transferable.

If you are representing a buyer of a condo unit who is getting approval for an FHA mortgage, you should also check the HUD link for approved projects to determine whether the condo has already been approved for FHA loans. If it has not, you should contact the client's mortgage broker and/or mortgagee to inform them of that fact, and to determine with the lender whether or not the project should be submitted for review. While you represent the buyer's mortgagee for the limited purpose of closing the mortgage, you are not an authorized representative of the mortgagee for other purposes, and therefore cannot sign the certifications required from the lender. Project approval will require the cooperation of developer/declarant in a project that is still in development, or the cooperation of the Homeowners' Association in a completed project, in order that all of the required documentation, together with all necessary certifications, can be submitted for review.

Obtaining a full HRAP or DELRAP review and certification is time-consuming and expensive. An individual buyer who is seeking to close an FHA loan on a single unit in an unapproved project is almost certainly not in a position to bear the expense or spend the time necessary to obtain approval in time for the closing. A better option would be to seek approval for a different type of loan.

There is a role for buyer's and seller's counsel in the closing of FHA loans in approved projects. A mortgagee for an FHA-insured loan must certify, for each insured mortgage closing, the following (Section 3.13):

- the mortgagee has verified that the unit is in a project that was approved at the time the application for insurance was submitted to FHA and a case number was assigned
- the information and statements contained in the application are true and correct
- the mortgagee has no knowledge of any circumstances or conditions that might have an adverse effect on the project or cause a unit mortgage to become delinquent. (Examples of adverse circumstances include construction defects or substantial disputes over the rights of the unit owners or operation of the project.)
- the mortgagee has reviewed and verified the project's continued compliance with the initial approval requirements, and that the number of investor-owners,

percentage of owners in arrears on their common charges, and owner occupancy meet FHA requirements.

In order to sign this certification, the mortgagee might request that the attorney for the buyer obtain certain documentation from the Association on which they may base their certification. In condos required to provide resale certificates, the resale certificate will disclose any special assessment that exists, any major capital expenditures planned, any unsatisfied judgments and any litigation in which the Association is involved, all of which go to circumstances that could cause a unit owner to default in the payment of the mortgage. The resale certificate must also disclose the number of units in which the owners are more than 60 days delinquent in common charges. A copy of the resale certificate can be given to the buyer's mortgagee for review.

In addition, the Association and/or its management company often has information on the number of units that are not owner-occupied. The seller, as a resident, should have knowledge of how to contact the Association or management company, so that the seller or seller's attorney may be able to obtain additional information on such matters.

Additionally, as attorney for the buyer/borrower, you may be asked to provide an opinion that the condominium is formed in accordance with state statutes. Since CATIC reviews condo projects for statutory compliance, you will be able to offer the lender a letter that states that the title company insuring the mortgage has determined that the project is properly formed under the applicable state statutes and that an ALTA Form 4.1, Condominium Endorsement, insuring that compliance, will be provided with the title policy.

## **Conclusion**

The Condominium Project Approval and Processing Guide of June 30, 2011 consolidated many of the changes made by Mortgage Letters issued since the date of the last Guide. This *Practice Note* summarizes the more significant changes now incorporated into the review process. However, it remains clear that the review process was designed to be controlled and performed by HUD and by lenders, and initiated by developers/declarants and Associations. Individual unit purchasers and sellers and their attorneys have only small roles to play in the project approval process. They should not be expected to bear the time and expense of collecting the extensive documentation required for review in order to close a loan on a unit in an unapproved project.

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