

Loan Qualifications for Homeowners

	FHA	VA	USDA Section 502
Minimum credit score	500	Doesn't have one, but lender might require minimum	<p>No credit score required</p> <p>If, and only if, the applicant has a credit score under 640, the Loan Originator should obtain the verification of rent/mortgage, & applicant reference letters to parties identified in the application.</p> <p>If traditional credit is not used, or there are less than 2 scores, the Loan Originator must develop a credit history from at least 3 sources, which can be a combination of traditional and nontraditional sources. However, only two sources are required if one of those is a verification of rent or mortgage payments.</p>
Debt-to-Income Ratio	43%	41%	41%
Income	Must be verified, but no restrictions	Must be verified, but no restrictions	Cannot exceed 115% of median household income
Loan Limit	Depends on location	No loan limit if the Veteran has full entitlement and can meet the lender's financial guidelines.	As of 3/7/2025 \$419,300 in most eligible counties in Minnesota
Down Payment	<p>Depends on credit score</p> <p>500-579 – 10%</p> <p>580+ - 3.5%</p>	Generally, no, VA loans do not require a down payment as long as the borrower has full entitlement and the purchase price does not exceed the appraised value of the home. However, there is a funding fee.	None

	FHA	VA	USDA Section 502
Occupancy	Owner occupied within 60 days of closing No investment property No rental property	May be used to purchase an existing home or residential condominium, build a new home, refinance the current home, or purchase a multi-unit property that serves as the homebuyer's residence.	Must be the borrower's primary residence The property must be located in a USDA-eligible rural area. Be a U.S. Citizen, U.S. non-citizen national or Qualified Alien
Appraisal	Must use FHA approved appraiser	Must be done by a VA approved appraiser	A USDA appraisal will assess the property's structural soundness, roof condition, and functionality of utilities.
Bankruptcy	Can be approved with bankruptcy in credit history	Can be approved with a bankruptcy in credit history	
Mortgage Insurance	FHA loans require upfront and annual mortgage insurance premiums	No private mortgage insurance (PMI) premiums or mortgage insurance premiums (MIP).	PMI isn't required for USDA loans. However, USDA guaranteed loans do charge a guarantee fee. This fee is charged both upfront at closing and on an annual basis.

Manufactured Housing	Yes. Property must be built after June 15, 1976. FHA has financing for mobile homes and factory-built housing. We have two loan products - one for those who own the land that the home is on and another for mobile homes that are - or will be - located in mobile home parks.	Manufactured homes are eligible, provided they meet HUD/FHA requirements and are attached to a permanent foundation Mobile homes qualify as manufactured homes if they were built after June 15, 1976.	New or existing residential property to be used as a permanent residence. Structures can be detached, attached, Condos, PUDs, Modular, or Manufactured. (Cannot be an income-producing property). Closing costs and reasonable/customary expenses associated with the purchase may be included in the transaction

HOA FHA Certification

FHA loans are mortgages backed by the Federal Housing Administration and designed to help more people qualify for homeownership. They typically require lower down payments, more flexible credit score requirements, and competitive interest rates.

Because of these benefits, FHA loans are popular with first-time buyers, moderate-income buyers, and those who may not qualify for conventional financing. However, FHA loans can only be used in properties that meet FHA standards, including FHA-approved condos.

Benefits

Increased Buyer Pool: FHA approval expands the market by making the community accessible to buyers who qualify for FHA loans, which have lower down payment and credit score requirements compared to conventional loans. This broadened pool of potential buyers leads to increased competition and demand for properties in the community.

Enhanced Marketability: Properties that are eligible for FHA financing are more attractive to a wider range of buyers, including a significant segment of first-time homebuyers who often utilize FHA loans. This increased demand can drive up property values and potentially lead to faster sales.

Demonstrated Community Integrity: FHA certification demonstrates that the HOA is well-managed and financially stable, meeting stringent FHA standards for property condition, maintenance, and financial health. This can increase buyer confidence and attract more buyers, further boosting property values.

Stronger Resale Value: FHA-approved condos often maintain a stronger resale value over time due to their enhanced marketability and appeal to a larger pool of potential buyers. This resilience is particularly valuable in a fluctuating market, providing owners with a sense of financial security.

FHA Condo Approval Requirements

The FHA requires the following before approving your condo:

The property must be completed in its entirety

The property must be insured for flood, hazard, and liability insurance as well as others required by state law and HUD

The condo's homeowners association (HOA) must have at least 10% of its budget in a cash reserve

No more than 15% of condo units may be more than 60 days delinquent in paying their HOA dues
Only 50% (or less) of the units can be used as rentals or be owned by investors

FHA condo approval requirements include both legal and financial standards that a condominium association must meet to be eligible for listing. There are many requirements for FHA condo approval which may vary based on your specific circumstances, but some key requirements may include:
A certain percentage of units must be owner-occupied (this percentage may vary if the project meets additional HUD criteria).

No more than 15% of the units can be more than 60 days delinquent on assessments.

Adequate reserves must be maintained for future repairs and capital expenditures.

The annual budget must contribute at least 10% of aggregate monthly assessments to reserves.

Proper insurance coverage, including fidelity bond insurance (if applicable).

Compliance with local zoning laws and no pending litigation that may affect the property's solvency.

The application requires submission of governing documents, budgets, insurance declarations, and sometimes an attorney's opinion letter.

FHA condo approval is typically valid for three years and must be re-certified to maintain eligibility.

Documents Needed for FHA Certification

Legal Documents

Recorded CC&Rs (AKA Declarations, or Master Deed)

Signed and adopted Bylaws (if not signed, have Board member Sign and Date)

Articles of Incorporation filed with the state

Financial

Recent Balance sheet & Income Statement (within 60 days)

Current Budget

Prior Year End Results (Income Statement or Finalized Audit)

Insurance

Insurance Policy Dec Page – Hazard, Liability

Fidelity Bond Dec Page (may be found on main insurance policy – Also known as Crime or Employee Dishonesty Policy)

Other Documents

Signed Management Company Agreement including services (unless self-managed).

A list of the rented units in the community (or units which use offsite addresses for mail).

VA HOA Approval

While the VA does not certify the entire association, the association must meet certain requirements for an individual homeowner to use a VA loan. The entire development must meet VA standards.

CC&R Provisions That May Affect VA Loan Approval

Not all condo communities qualify for VA financing. Certain CC&R clauses can raise red flags:

1. Rental & Leasing Restrictions

The Issue: Some CC&Rs limit renting, requiring owner-occupancy for a certain period before leasing.

VA's Rule: The VA wants flexibility in leasing, so strict rental caps can disqualify a condo.

2. Right of First Refusal

The Issue: Some HOAs reserve the right to approve or reject new buyers.

VA's Rule: The VA typically disallows this since it interferes with an owner's right to sell freely.

3. Special Assessments & Liens

The Issue: HOAs can place liens on properties for unpaid dues, which could supersede the VA loan.

VA's Rule: The VA requires its lien position to be protected, so excessive assessments may be a concern.

4. High Transfer Fees

The Issue: Some CC&Rs impose hefty fees when a unit is sold.

VA's Rule: The VA limits excessive transfer fees to keep transactions fair and affordable.

Common HOA Red Flags That May Impact VA Loan Approval

A detailed list of red flags beyond just CC&Rs, such as:

High HOA delinquency rates (VA requires that no more than 15% of units are behind on dues).

Pending litigation against the HOA (lawsuits can make lenders hesitant).

Underfunded reserves (HOAs need funds for maintenance; underfunding can disqualify a property).

Red Flag	Why It Matters
Rental caps or restrictions	VA loans require flexible leasing rules.
High HOA delinquencies	Lenders prefer financially stable HOAs.
Pending lawsuits	Litigation may signal financial risks.
Special assessments	Large, unexpected fees may affect affordability.
Developer control	VA prefers HOAs run by homeowners, not developers.

USDA HOA Certification

USDA-eligible condos must also be:

- A decent, safe and sanitary dwelling
- Certified as structurally sound by a state-licensed home inspector
- Have appropriate flood insurance, if located in a 100-year floodplain
- Deemed acceptable by the buyer's lender
- Listed on the FHA, VA, Fannie Mae or Freddie Mac approved condo lists

While the USDA doesn't directly "certify" condo developments in the same way it might certify a specific property, it does have requirements that condo projects must meet to be eligible for USDA loans. Essentially, a USDA-eligible condo project must either be approved by another major agency like FHA, VA, Fannie Mae, or Freddie Mac, or it can be self-certified by an approved USDA lender.

Existing Approvals:

If a condo project already has approval from FHA, VA, Fannie Mae, or Freddie Mac, it's likely eligible for USDA loans.

Self-Certification:

USDA-approved lenders can also self-certify a condo project, meaning they assess the project's compliance with USDA guidelines.

USDA Lender Responsibility:

It's the responsibility of the lender, not the USDA, to ensure the condo project meets the necessary requirements, including being located in a USDA-eligible rural area.

Key Requirements:

Besides location, USDA-eligible condos must be decent, safe, and sanitary, structurally sound, and classified as single-family dwellings.

Certification:

Lenders provide certification to the USDA that the condo meets the necessary requirements.