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Federal Housing Administration now a growing player in the condo market

By [Lisa Fleisher/Statehouse Bureau](#)
October 02, 2009, 7:00AM



PHOTOS BY SAED HINDASH/THE STAR-LEDGER

O'Ryan Goring and his fiancée, Sarai Jones, unpack belongings as they move into their Ewing condo last weekend. The couple used Federal Housing Administration financing to buy the condo.

O'Ryan Goring and his fiancée, Sarai Jones, fell in love with a castle-like Pennsylvania estate called Cairnwood as the perfect setting for their marriage. But they also fell in love with a condo in Ewing that would be the perfect starter home for the first-time homebuyers.

Using traditional mortgage products, they wouldn't be able to have both, because they would have had to put \$40,000 down to buy the condo. Lucky for them, the condo developer, the Jefferson, had just received approval from the Federal Housing Administration — a prerequisite for buyers who want to use the government-insured financing program. The FHA program asked for just 3.5 percent down — or \$7,000.

"All the money we saved, we've just transferred it over to the wedding," Goring said.

A surge of New Jersey condo properties have been approved this year by the FHA as developers try to reach as many potential buyers as possible in a slow market. With loan standards higher than they have been in years, buyers in droves have been turning to the FHA.

"It's become almost a functional necessity," said Michael Borodinsky, a manager with MetLife Home Loans. In 2008, 21 percent of all residential loans were insured by the FHA, up from less than 5 percent in 2005 and 2006, the Federal Reserve said Wednesday.

But critics of the program worry that defaults and foreclosures — more common and problematic in the condo market — will force a taxpayer bailout of an overburdened FHA.


"FHA is pretty much the loosest underwriting in the game right now," said Mark Calabria, director of financial regulation studies at the Cato Institute, a Washington-based think tank. "It's definitely something we should be worried about."

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