

ADVERTISEMENT

With Affordability a Problem, More Buyers Consider Condos, But Can They Get a Loan?

Assuming you have good credit and a sufficient income, getting a loan to buy a single family home is not that hard, but when it comes to buying a condominium, the loan may not be possible if the building does not meet some challenging Fannie Mae/Freddie Mac guidelines. Most loans are sold to one of them, and they will not buy a condo loan from a lender if the following is true:



- ◆ The condo development hasn't been completed
- ◆ Less than half of units are owner-occupied (for investor loans)
- ◆ An individual or company (including the developer) owns more than 10% of the units within the building
- ◆ More than 25% of units are delinquent on HOA fees
- ◆ The homeowner's association is still controlled by the developer
- ◆ Commercial space is 35% or more of the building's total square footage
- ◆ There are pending lawsuits against the condo owner's association
- ◆ The deductible for hail damage is greater than 5%
- ◆ There's central heating, and the master policy doesn't cover the boiler.

The condo association you're looking at may not have any of those issues, but if it has not completed the proper paperwork, it will still not make the list of "warrantable" condos.

Just last Friday, one of our broker associates, Kathy Jonke, closed for a condo buyer who had to terminate her first purchase contract because it

was discovered just before closing that the hail deductible was 10%. On the second condo, which closed last Friday, the lender thought the master insurance policy did not cover the boiler, but our in-house lender, Wendy Renee, got the right person on the phone and was able to verify that the boiler was covered, and the closing took place on time. Such is the life of a strong buyer's agent and a strong loan officer!

I'm not saying that you can't get a loan for an unwarrantable condo. It's just that you can't get a conventional loan which the lender plans to sell to Fannie Mae or Freddie Mac. That's true of all the big banks and big lenders, but small banks and credit unions are often "portfolio lenders," meaning that they keep their loans in-house instead of selling them. Another option (rarely used) is for the seller to "carry" the loan, which can work for some but not all sellers. If the seller needs the money to buy a replacement home, that definitely doesn't work.

Another option is to get the mortgage from FHA, which has a Single-Unit Approval (SUA) option whereby they evaluate the loan on a case-by-case basis. FHA loans, however, require an upfront and ongoing purchase mortgage insurance (PMI) premium. Kathy's buyer was given that option on her first condo purchase where the hail deductible was 10%, but she chose to terminate the contract rather than assume that added expense.

In any condo purchase, the lender will ask the condo association to complete a questionnaire and base its approval on the response. For example, in addition to the criteria

mentioned above, the lender will want to know the association's budget and its reserves.

Loans on non-warrantable condos can also require a larger down payment and carry a higher interest rate to compensate for the added risk. Recent increases in master insurance policy deductibles alone has made a higher percentage of condos non-warrantable, and loans on non-warrantable condos are estimated to equal over 22% of the market now.

If you are considering writing an offer on a condo, make sure your agent and loan officer submit the condo questionnaire immediately and ask questions about warrantability before spending money on inspection and appraisal.

62% of Buyers Think a 20% Down Payment Is Required, the #1 Myth

In fact, there are many programs, especially for first-time home buyers, which require zero down payment. Here in Colorado, the Colorado Housing Finance Authority (CHFA) has a website with programs for both first-time and repeat buyers with down payment assistance up to \$25,000!

I've written 8 paragraphs on this topic, which you can read at <http://RealEstateToday.substack.com>.

Follow-up on Last Week's Column

One of the articles, "Buyers Need and Deserve Professional Representation, But Here's Why They Shouldn't Have to Pay for It," produced some feedback from readers. One said the percentages I quoted were wrong, and I'm embarrassed to admit that's true. (Did I really go to MIT?) The numbers, however, were correct, as was the logic of my argument, which is supported by the fact that virtually all closings taking place are ones in which the seller is still compensating the agent representing the buyer.

I confirmed that fact with one of the region's biggest title companies. What that tells us is that sellers want one thing above all else — to sell their property. They have come to realize that they can try to avoid offering any compensation to the agent representing a buyer, but if they're the only seller taking that stand, buyers will gravitate to other listings. Also, the standard contract to buy and sell real estate has a section in which it is stated what the seller will pay, so sellers are given the opportunity to accept that amount or call the buyer's bluff and hope they come to terms. Closing data available to title companies suggests that sellers don't win that argument often or at all.

Just Listed: 4-BR Home Backing to Arvada Park

If you're looking for an updated, move-in ready home in a quiet neighborhood, backing to parkland, with no HOA and an RV parking space, this home at 7761 Everett Way may be what you are looking for. Built in 1973, you'd swear this home is at least 20 years newer. The floors are hickory hardwood throughout, except for in the beautifully tiled bathrooms. Mature evergreens in the backyard provide afternoon shade for the large open deck, but there's also an 8'x16' covered and screened deck. Next to the driveway is a path into the park. Do you like to garden? There are two raised beds plus a larger ground level garden that is sprinklered. Do you have lots of stuff? There are two sheds! Do you like a wood-burning fireplace? This home comes with lots of cut wood and kindling for the fireplace in the family room. Visit www.GRElistings.com to view a video walk-through narrated by the listing agent, then come to the open house this Saturday, March 8th, 11am to 1pm, or call your agent (or me) to arrange a showing. You may find that this home checks all your boxes!



Just Listed: 1-Bed/1-Bath Condo in Sable Cove

This nicely updated and well-maintained 574-square-foot condo is in the Sable Cove subdivision southeast of Aurora's Town Center. The address is 992 S. Dearborn Way, #7, east of I-225 and north of Mississippi Avenue. The seller bought it for a family member and updated everything in this ground-level unit. It has luxury vinyl plank flooring throughout, new windows, a pantry with five slide-out drawers, laundry hookups, and a wood-burning fireplace. There is lots of open lot parking for you and your guests. The HOA dues are \$255 per month and include water, sewer, trash maintenance, a community center, swimming pool and fitness center. There is a locked storage closet on the front porch, big enough for all your winter gear. Find more information, high-quality pictures and a video walk-through at www.GRElistings.com, then call me at 303-525-1851 to arrange a private showing.



Jim Smith
 Broker/Owner, 303-525-1851
Jim@GoldenRealEstate.com
 1214 Washington Ave., Golden
 Broker Associates:
 JIM SWANSON, 303-929-2727
 CHUCK BROWN, 303-885-7855
 DAVID DLUGASCH, 303-908-4835
 GREG KRAFT, 720-353-1922
 KATHY JONKE, 303-990-7428
 CHRIS SHOLTS, 320-491-6494
 Loan Officer: WENDY RENEE, 303-868-1903

