



## Condo Considerations

If you are a first-time, or maybe a last-time buyer, a condominium may be the perfect home purchase for you. They are often great options for buyers on both sides of the age spectrum, as they are a good deal cheaper than single-family houses usually. They also require less maintenance as the condominium association takes care of the grounds, common areas, and building upkeep. They may even pay a part of the utilities. If you decide that a condo is the best choice for you, you should understand a few things about condos before getting into the loan application process.

Lenders are going to perform much more rigorous reviews of condominium purchases than they will with traditional single-family units. This is because your purchase uses the condo as collateral and the value of that individual condo depends greatly on the overall value and condition of the condominium complex.

Just as an appraisal would be done on a single-family home, your lender will investigate the condo and the managing association to determine the worth of the property. First they will investigate the condominium association that takes care of the place. Your lender will want to know if the association has a good management team that responds quickly to repair requests, keeps the facilities in good condition, and enforces the condominium rules. They will also want to know if the association has sufficient insurance to cover any damages or losses. Another important aspect of the association that your lender will want to examine is if it has an adequate operating budget and money reserves for handling repairs as needed. Your lender wants to be sure the place is going to be well taken care of and maintain its value.

There are a few other things that will be important in your application being approved. Condos are generally better cared for and more valuable if more of the residents are owners than renters. Renters will not take as much personal responsibility for maintaining the condition of their individual unit or for the complex as a whole as owners. This is because they do not have any real financial stake in it and can pick up and leave at any time. Lenders prefer you to buy into a condo complex that is at least 60% owner-occupied.

If the complex you are buying into is new, lenders will like to see that your condo complex is at least 90% built or completely finished. This helps safeguard their interests, as a mostly finished complex will be more likely to get finished and have the necessary funding.

If all of this sounds like too much review and inspection for you, you can typically buy your way out of it with a 25% down payment or greater on the condo. You should realize however, that all the inspection is not only good for the lender, but also good for you as it gives you valuable information about the condo and the managing association, and you don't have to do any of the research!

If you do your best to find a condo that fits the above-listed requirements, you'll be in a great position to get approved for your condo loan!