

# Borrower-Friendly® Mortgage Solutions

## Mortgage News for a Changing Economy



### Buying Condos - What You Should Look For

There are a good number of low priced condos on the market these days. No doubt there are many worthwhile buys but a proper assessment of true value requires looking at more than the individual unit and price.

Look at condos as partnerships. Through the homeowners association (HOA), in a way you are becoming a partner with all the other unit owners and you need to know how well your proposed partners are doing in support of the association before you acquire a condo. If the project does not meet certain lender standards, you may find yourself trying to buy or owning (if you buy cash) a condo that cannot be financed. At any price, a condo that can only be sold via a cash deal is somewhat affected in value.

Two examples of things you need to look into:

- The percentage of unit owners delinquent 30 days or more on their HOA fees. To finance a condo, you do not want it to be greater than 15%.
- Does the HOA have Fidelity Insurance (aka Employee Dishonesty Coverage)? This coverage, which protects the association's funds from theft, is required by FannieMae on all projects that consist of more than 20 units. Some states, for example Florida, seem to mandate this coverage on all condo projects. We find that many associations are currently not carrying this relatively inexpensive coverage. Lenders may have overlooked it in the past but today, if required, a loan will not go to closing without it.

This is not by any means the full extent of what you need to consider when assessing a condominium, but hopefully it raises your awareness of the need to weigh factors other than price.

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