




[All Categories](#) :: [Finance & Investment](#)

## See how banks are looking at Condo purchases.

Copyright © 2009 [Christian Amstadter](#)

 **EasyPublish™**  
**Published:**  
**Word count:** 899  
**Viewed:** 165 time(s)

 **BOOKMARK** 

Welcome back to your computer after the Labor Day holiday! Of course, it still feels like a Monday, but at least there are only four work days. Labor Day is usually when the real estate market in most parts of the nation begins to slow down, although lenders are hoping that this year may be an exception with a steady push to take advantage of government programs.

When was the last time someone you know bought a NEW condo? Interestingly, the National Association of Realtors does not measure the sales of new condominiums - only existing units. Condos have long been known as a choice in either vacation areas or in very low or very high priced areas. Therefore, some areas, like Phoenix, Las Vegas, or Miami, received a double whammy in terms of the demand for condominiums, leading to over a year's worth of inventory waiting to be sold. Prices shot way up, and are now coming down just as steeply, units remain vacant, and projects remain uncompleted. And since developers are usually required to pay off their construction loans after completion, if the project isn't completed they are not paying off the loans.

Union Bank of California recently addressed their guidelines on this topic. As opposed to a single-family dwelling in a subdivision, condos or PUD units are highlighted by "Ownership of a unit, interest in common elements, mandatory homeowners' association membership, and documents defining/restricting usage of the unit or common elements (CC&R's). Whether or not the unit is a single-family detached residence located in a condominium project or part of a high-rise building, an attached row house, it typically doesn't matter.

Fannie Mae, however, has specific requirements for project approval. "Projects approved by Fannie Mae on or after January 15, 2009 are acceptable without additional review as long as the approval has not expired. A printout showing the approval from the Fannie Mae website must be included in the loan file."

Fannie tells their clients that "projects conditionally approved by Fannie Mae are acceptable as long as the approval conditions have been met and the conditional approval has not expired. In most cases, the approval conditions will require that construction has been completed and/or that 70% of the units in the projects have been sold to owner occupied and second home purchasers." Established projects must usually meet criteria such as, "The unit owners other than the developer control the unit owner's association; The Condo Project, including all units and common elements, is complete; The Condo Project is not subject to additional

**Need targeted traffic?**

### **Free Report!** **Ten Essential Secrets Of Article Marketing ...**

Grab Your Free Copy Now:

Your First Name

Your Main Email

Send Me My FREE Report!

We respect your privacy.

**Need Content?**  
Regular Top Quality Content for your Blog, Ezine or Website ...  
**Delivered Direct, For Free!**  
[Click For Details](#)

[Arts & Entertainment](#)  
[Automotive](#)  
[Business - General](#)  
[Computers & Technology](#)  
[Finance & Investment](#)  
[Food & Drink](#)

phasing or additions that have not been completed; At least 70% of the units in the Condo Project have been conveyed or are under contract to purchasers who will occupy the unit as a primary residence or second home. For the EOM Program, the minimum percentage of owner occupied units is 50%." There is no owner-occupancy requirement if the condo project has more than 4 units, loan amount < \$1,100,000, Owner-occupied primary residence or second home, etc. Please note, however, that if one has condo-related questions, it is best to consult the specific guidelines, which can be quite extensive and go into much greater detail regarding conversions, size requirements, project status, pending lawsuits, ownership, etc.

Lenders know, however, that the condo market is not doing very well from an investor point of view. Fannie & Freddie now charge .75 for any LTV above 75%, and usually investors want to see the Home Owner's Association (HOA) turned over to actual owners, which means owner occupancy above 50%. Fannie will only guarantee mortgages on condo developments where more than 70% are sold. There are signs of life, however. For example, Wells Fargo's wholesale group has told their clients that "Owner occupancy as low as 51% may be allowed for conforming conventional loans up to \$417k." Wells also points out that for conforming loans "A minimum 51% of the units sold must be sold to individual for use as a primary residence or second/vacation home with the following criteria: established project, maximum 90% LTV/CLTV for primary residence, maximum 75% LTV/CLTV for second/vacation residence, and this is not eligible for investment properties." And the HOA cannot have over 15% delinquent HOA dues.

Speaking of signs of life, here in Northern California a program has re-emerged after being put on hold for quite some time. CMG Mortgage, a retail and wholesale shop, re-introduced their "Home Ownership Accelerator" program. A few years ago it competed with the program from Macquarie Mortgage (remember them?) which basically uses the balances in your bank account to help reduce the term of your loan. Persistence by CMG's management pays off in finding an investor for this type of loan!

But investors giveth, and investors taketh away. U.S. Bank Home Mortgage Wholesale Division cut their offering of Freddie's "Home Possible Neighborhood Solutions Manufactured Homes" immediately due to inactivity. (All other Home Possible products are still available.)

For economic news, this is one of those weeks where there is not much. In fact, the Treasury auctions may have the greatest impact on mortgage rates this week with \$70 billion in 3-yr, 10-yr, and 30-yr auctions today, tomorrow, and Thursday. Thursday we also have Jobless Claims and the Trade Balance figures, and on Friday some import & export price news and the Michigan Consumer Sentiment numbers. With no much going on, mortgage security prices are unchanged from Friday afternoon and the yield on the 10-yr is also about unchanged at 3.45%.

Christian Amstadter has been in the Mortgage business for 10 years. As an expert Author and Consumer Mortgage advocate, he has made it a mission to make the public current about happenings in the Mortgage world. To see more articles, or to receive free rate quotes, pre-approvals and up to 100% in NO closing cost home mortgages please visit:  
<http://www.californiadirectlender.com> .

[Health & Fitness](#)  
[Home & Family](#)  
[Internet Marketing/Online Business](#)  
[Legal](#)  
[Pets & Animals](#)  
[Politics & Government](#)  
[Reference & Education](#)  
[Religion & Faith](#)  
[Self-Improvement/Motivation](#)  
[Social](#)  
[Sports & Recreation](#)  
[Travel & Leisure](#)  
[Writing & Speaking](#)



→ [EasyPublish™ this article - publishers click here](#)

[More articles by Christian Amstadter](#)

More [finance articles](#):

- [Internet Offshore Banking - Open an Offshore Account the Easy Way](#) (Patrick Winters)  
The benefits of offshore banking have been clear for decades, but usually only available to the very rich. You may imagine someone on a private yacht making a call to their Cayman Islands bank, handling large transactions incognito. But the expenses incurred when travelling abroad or wiring money by telephone made the reality of offshore banking prohibitively expensive.
- [Virtual Investing For Beginners](#) (Duncan Wierman)  
this article discussing what beginning real estate wholesalers need to know
- [The Job Search is Much Tougher for Consumers with Poor Credit Scores](#) (John Rasor)  
Looking for a job? employers now looking at your credit scores to determine your worthiness. Its important to know your credit and protect it.
- [Great Uses For The Average Personal Loan](#) (Steve Smith)  
When we first hear the term "personal loan," nothing too exciting comes to mind aside from debt and despair. But for those who use them correctly, personal loans can create much enjoyment and prosperity. As far as the best applications for such loans go, there are a few options to keep in mind.
- [You Don't Have To Spend A Lot Of Money To Get The Competitive Edge In Business - Low Cost Solutions](#) (Annie Jennings)  
Consultants and business should stay visible and vital to their target markets as well as update products and services to reflect current market conditions.

***We Automatically Distribute Articles  
To Thousands Of Publishers And Web Sites:***  
[Submit Article](#)

All content is viewed and used by you at your own risk and we do not warrant the accuracy or reliability of any of the information. The views expressed are those of the individual contributing authors and not necessarily those of this web site, or its owner, Takanomi Limited.