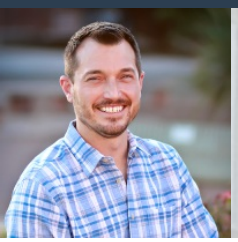

The Arizona Loan Baron

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A Message from The Arizona Loan Baron:

"This is a really nice change for condo investors!"

Financing a Condo? Recent Guideline Changes Could Make a Big Difference

Fannie Mae recently made some fairly big changes to the condo underwriting process. While it may not affect everyone in the market for a condo, it will make all the difference for others. MND community member Ted Rood provided this excellent overview:

If you've ever financed a condo, you're likely familiar with the term "condo reviews". These reviews include analysis of condo complexes' financials and insurance, breakdowns on units' ownership and residency, the percentage of owners in arrears on Home Owners' Association (HOA) dues, any pending legal actions, and more. Lenders **must** obtain them on every condo loan, in one of two different variations: "limited" and "full" reviews. If complexes don't meet the requirements, buyers in that HOA can't get financing. Far more complexes fail **full** reviews than **limited**, a distinction I always address with clients early in the loan process.

Limited reviews are **fairly routine**, consisting of a short questionnaire and insurance documentation from condo management. HOA management companies typically charge nominal costs to complete the questionnaires. Owner occupied condo loans with down payments of at least 10% (25% for second homes) are eligible for limited reviews. It's fairly **unusual** for a condo complex to fail a limited review. I've had **numerous** complexes fail a full review, yet meet limited review requirements.

Historically, however, all investment condo loans (regardless of down payment) **required full reviews**, which entail added cost/time to acquire more detailed info from HOA management BEFORE lenders even know if the complex meets full review requirements! That's a situation buyers, sellers, lenders, and agents all find stressful. No one likes uncertainty in the home buying process.

Fortunately for rental condo buyers, however, Fannie Mae recently announced that investment condo loans with **25% or more down** were now eligible for limited reviews. Why is this a big deal? Rental condo buyers who put 25%+ down already get improved loan pricing from Fannie Mae, saving 2-2.75% of the loan balance (up to $5500 on a $200,000 loan!) compared with

National Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	6.91%	0.00	0.00
15 Yr. Fixed	6.48%	+0.01	0.00
30 Yr. FHA	6.39%	0.00	0.00
30 Yr. Jumbo	7.29%	-0.01	0.00
5/1 ARM	6.61%	0.00	0.00
Freddie Mac			
30 Yr. Fixed	6.79%	-0.65	0.00
15 Yr. Fixed	6.11%	-0.65	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	6.93%	-0.04	0.60
15 Yr. Fixed	6.46%	-0.03	0.75
30 Yr. FHA	6.75%	-0.14	0.97
30 Yr. Jumbo	7.14%	0.00	0.38
5/1 ARM	6.27%	-0.06	0.64

Rates as of: 3/28

Recent Housing Data

		Value	Change
Mortgage Apps	Mar 27	196.8	-0.71%
Building Permits	Feb	1.52M	+1.95%
Housing Starts	Feb	1.52M	+10.7%
New Home Sales	Feb	662K	+0.15%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%

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those putting 15-20% down.

		Value	Change
Builder Confidence	Mar	51	+6.25%

In short, many investment condo buyers were putting 25% down, but **still** had to cope with the uncertainty and cost of full condo reviews. They'll be pleased to hear that Fannie Mae's logical guideline reform just made rental condo loans far simpler.

Fannie Mae also **expanded their Property Inspection Waiver (PIW) program** to condos in June. A PIW is often referred to as an **"appraisal waiver"**, and allows lenders to close certain loans without the expense/time of appraisals. There's nothing agents, buyers, and sellers love more than hearing their transaction doesn't need an appraisal. PIWs are determined automatically by Fannie Mae's automated underwriting engine Desktop Underwriter or "DU."

Between these two guideline revisions, Fannie Mae has made condo financing faster, cheaper, and far more predictable. More predictable loans mean more closings, higher condo values, happy buyers, sellers, agents, and lenders. It's a big win for everyone. Thanks, Fannie Mae!

The Arizona Loan Baron

The Arizona Loan Baron is at your service!

I would appreciate the opportunity to share with you my extensive mortgage lending experience. My client focused approach has allowed me to build long lasting relationships and partnerships throughout Arizona. I know this market. I live here and work here. Please allow me the opportunity to be your mortgage lending partner.

The Arizona Loan Baron

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