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A Message from Ted Rood:

"Getting a mortgage on a condo (especially a rental unit) just got simpler!"

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



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.51%	+0.01	0.00
15YR Fixed	7.04%	+0.01	0.00
30YR FHA	7.08%	+0.03	0.00
30YR Jumbo	7.52%	+0.02	0.00
7/6 SOFR	7.12%	-0.01	0.00
30YR VA	7.10%	+0.03	0.00

Rates as of: 11/16

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	98.72	+0.02
10 YR Treasury	5.1271	-0.0071
30 YR Treasury	5.4736	-0.0022

Pricing as of: 11/16 7:39PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Nov 4	204.6	+6.23%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

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those putting 15-20% down.

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!

Responsive service, experienced expertise

I've dedicated my 26 year mortgage career to client education, superior service, and honest answers. The lending landscape has changed dramatically the past few years, and continues to do so. My job is to ensure client partners' loans close quickly, without surprises, and I take that responsibility very seriously. Referrals are a responsibility I appreciate; they're a measure of trust, and that trust must be earned every day, on every referral.

Ted Rood

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