

Condo Associations Need to Take Action So That Members Can Sell Units

FHA loans fill an important gap in the financing of low-end homes, especially condos, because FHA requires only a 3.5% down payment. And here in Colorado, the Colorado Housing Finance Agency (CHFA) will loan first-time home buyers all but \$1,000 of that 3.5%. But first the condo project must meet FHA approval on a few key factors.

First, if fewer than half the residents are owner occupants, forget about using an FHA — or even a conventional — loan.

Secondly, FHA and Fannie Mae look at the financial strength of the condo association. If more than 15% of units are behind on their monthly dues, forget about getting a loan on any unit in that complex.

Third, no one investor can own more than 10% of the units. And there are other criteria that must be met by the condo complex.

Until February of last year, it was possible to get a “spot approval” to sell a condo by satisfying these and other criteria for the loan underwriter. However, since February 2010, the condo association itself must obtain certification from the FHA before any unit in that complex can get an FHA loan, even if those criteria would be satisfied. It takes time and it takes money for the association

to get that approval, and many — indeed, most — condo associations have been lax in obtaining that certification. Moreover, certifications expire and the association must re-apply. Many have not.

For example, in Lakewood's ZIP 80228 (the Green Mountain area), there were 18 approved condo associations a couple years ago, and now there are only six. In ZIP 80229, ten out of 12 are no longer certified — and not because they

wouldn't qualify if they applied.

Now that FHA loans are the only way that a significant percentage of home buyers can finance a home, and since condos are the most affordable way for most buyers to become homeowners, this failure by condo associations to obtain and renew their FHA certifications has potentially disastrous consequences for all current condo owners. If units can only be sold to cash buyers or with private financing, the values of the units are bound to fall. If you are a condo owner, pressure your association to get and remain certified with the FHA — assuming it qualifies.

Moreover, even if *your* condo association maintains its FHA certification, if other complexes don't, they will affect your complex to the extent that they produce lower comps for your units.

I thank Norm Lewis of Peoples Mortgage (303-910-1629) for educating me on this topic.

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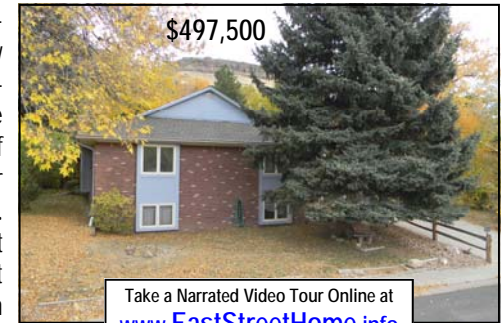


By **JIM SMITH**,
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This Week's Featured Listing

Price Reduced on Home in Historic District

The East Street Historic District is just a few blocks from both downtown Golden and the Colorado School of Mines. This particular home at 1919 East St. was originally listed at \$550,000, but was just reduced to \$497,500 in hopes of attracting its



next owner — you? Although this home needs updating in both the kitchen and bathrooms, it has many redeeming qualities, including its fabulous, quiet location, its open floor plan — unusual for a 1970's home — and its mountain views. A ranch-style home, it has a fully finished basement with second family room and extra bedroom & bathroom.

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