



What determines if an Arizona condo meets the mortgage guidelines today?

Purchasing a condo in Arizona today can be a daunting task for buyers and their agents. Fannie Mae & Freddie Mac, the government sponsored enterprises that establish mainstream conventional mortgage lending guidelines today, require condominium projects be deemed **warrantable** before Arizona lenders can provide mortgage financing to an Arizona borrower on any unit within a project. These Arizona Mortgage Lender guidelines are in place to protect lenders and borrowers as condos historically have a greater financial risk if not managed well.

There are 2 review processes an Arizona Mortgage Lender can use to determine if the project meets Fannie or Freddie conventional mortgage guidelines, 1) a **Limited or Streamlined Review** and 2) a **Full Review**. The limited review, as you may have guessed, has less stringent mortgage guidelines. For the purpose of this update I am focusing only on existing and established (90% of the units sold and closed, control of the HOA turned over to the unit owners from the developer & nothing further to be annexed or added) Arizona condo projects.

The key points of each review are outlined below:

A loan may be eligible for a **Limited Review** if:

- The borrower is purchasing the condo as a **primary residence** and has a down payment of at least **10%**, or
- The borrower is purchasing the condo as a **second home** and has a down payment of at least **25%**
- Investor loans are not eligible for a limited review

Under the limited review, there are **no occupancy requirements** (investor vs. owner occupied/second home), **no full legal review, no full budget review and no replacement reserve requirement**. There are some additional mortgage guidelines which must be met, contact me for more details.

A **Full Review** requires the project to meet the 3 above mentioned mortgage guidelines PLUS the following:

- At least **51%** of the units must be owner occupied/second homes. *Note: some Arizona Mortgage Lenders require a higher ratio of owner occupied units*
- Budget must have at least **10%** of the total budget allocated to replacement reserves
- No more than **15%** of the unit owners can be more than 30 days delinquent in paying their HOA dues

Arizona Mortgage Lenders will generally request a condo questionnaire be completed by the HOA and use the questionnaire, along with supporting documents if needed, to determine whether the project meets mortgage lending guidelines. Condo mortgage guidelines continue to evolve and can be a bit cumbersome to interpret. **Cherry Creek Mortgage Company, Inc** has a condo review department that solely exists to assist in determining project eligibility!

In summary, the mortgage lending guidelines are less stringent for owner occupied/second home buyers than investors. Understanding the differences between a Limited and Full review and pursuing the condo questionnaire early in the process helps to eliminate heartache for our Arizona buyers.

Feel free to call me anytime with your condo mortgage questions or if you need assistance in trying to determine project eligibility up front. Don't be fooled either.....some Arizona properties may not appear to be a condo, but when you dig deeper, they actually are. I can help you with the research, just call or send me an email.

Best,

~ Kelly

Quote of the week: Four short words sum up what lifted most successful individuals above the crowd: a little bit more. They did all that was expected of them and....a little bit more.
~ A. Lou Vickery

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