

## With Affordability an Increasing Problem, More Buyers Consider Condos, But Can You Get a Loan?

Assuming you have good credit and a sufficient income, getting a loan to buy a single family home is not that hard, but when it comes to buying a condominium, the loan may not be possible if the building does not meet some challenging Fannie Mae/Freddie Mac guidelines. Most loans are sold to one of those institutions, and they will not buy a condo loan from a lender if the following is true:

- ◆ The condo development hasn't been completed
- ◆ Less than half of the units are owner-occupied (for investors)
- ◆ An individual or company owns more than 10% of the units within the building (including the developer)
- ◆ More than 25% of units are delinquent on HOA fees
- ◆ If the homeowner's association is still controlled by the developer
- ◆ Commercial space is 35% or more of the building's total square footage
- ◆ There are pending lawsuits against the condo owner's association
- ◆ The deductible for hail damage is greater than 5%
- ◆ If there's central heating, the master policy doesn't cover the boiler.



The condo association you're looking at may not have any of those problems, but if it has not completed the proper paperwork, it will still not make the list of "warrantable" condos.

Just last Friday one of our broker associates, Kathy Jonke, closed for a condo buyer who had to terminate her first purchase contract because it was discovered just before closing that the hail deductible was 10%. On the condo which closed last Friday, the lender thought the master insurance policy did not cover the boiler, but our in-house lender, Wendy Renee, got the right person on the phone and was able to verify that the boiler was covered, and the closing took place on time. Such is the life of a strong buyer's agent and a strong loan officer!

I'm not saying that you can't get a loan for an unwarrantable condo. It's just that you can't get a conventional loan which the lender plans to sell to Fannie Mae or Freddie Mac. That's true of all the big banks and big lenders, but small banks and credit unions are often "portfolio lenders," meaning that they keep their loans in-house instead of selling them. Another option (rarely used) is for the seller to "carry" the loan, which can work for some but not all sellers. If the seller needs the

money to buy a replacement home, that definitely doesn't work.

Another option is to get the mortgage from FHA, which has a Single-Unit Approval (SUA) option whereby they evaluate the loan on a case-by-case basis. FHA loans, however, require an upfront and ongoing purchase mortgage insurance (PMI) premium. Kathy's buyer was given that option on her first condo purchase where the hail deductible was 10%, but she chose to terminate the contract rather than assume that added expense.

In any condo purchase, the lender will ask the condo association to complete a questionnaire and base its approval on the response. For example, in addition to the criteria mentioned above, the lender will want to know the association's budget and its reserves.

Loans on non-warrantable condos can also require a larger down payment and carry a higher interest rate to compensate for the added risk. Recent increases in master insurance policy deductibles alone has made a higher percentage of condos non-warrantable, and loans on unwarrantable condos are estimated to equal over 22% of the market now.

If you are considering writing an offer on a condo, make sure your agent and loan officer submit the condo questionnaire immediately and ask questions about warrantability before spending money on inspection and appraisal.

### Follow-up on Last Week's Column

One of the articles, "Buyers Need and Deserve Professional Representation, But Here's Why They Shouldn't Have to Pay for It," produced some feedback from readers. One said the percentages I quoted were wrong, and I'm embarrassed to admit that's true. (Did I really go to MIT?) The numbers, however, were correct as was the logic of my argument, which is supported by the fact that virtually all closings taking place are ones in which the seller is still compensating the agent representing the buyer.

I confirmed that fact with one of the region's biggest title companies. What that tells us is that sellers want one thing above all else — to sell their property. They have come to realize that they can try to avoid offering any compensation to the agent representing a buyer, but if they're the only seller taking that stand, buyers will gravitate to other listings. Also, the standard contract to buy and sell real estate has a section in which it is stated what the seller will pay, so sellers are given the opportunity to accept that amount or call the buyer's bluff and hope they come to terms. Closing data available to title companies suggests that sellers don't win that argument often or at all.

One reader believes that if the buyer's agent is paid by the seller, he's not going to work to get the lowest price for his buyer. That would make sense, but in 22 years of being on both sides of transactions, I have never known a colleague or myself to do anything other than work in the best interests of a buyer he/she represents, not just in getting the lowest price initially, but when it comes to negotiating concessions or a price reduction based on inspection issues or a low appraisal. And when there's a seller concession, many agents including ours, make sure our commissions are based on the *net* price.

## 62% of Americans Think a 20% Down Payment Is Required, But It's the #1 Myth

[NerdWallet.com](http://NerdWallet.com) is a trusted resource for consumer information, and, according to its **2025 Home Buyer Report**, 62% of Americans believe that a 20% down payment is required to purchase a home. That's the number one myth that is holding back Americans from pursuing the American dream of home ownership.

In fact, there are many programs, especially for first-time home buyers, which require zero down payment. Here in Colorado, the **Colorado Housing Finance Authority (CHFA)** has a website [www.WhyWaitBuyToday.com](http://www.WhyWaitBuyToday.com), which describes their programs for both first-time and repeat buyers with 4% down payment assistance (DPA) up to \$25,000.

To qualify for DPA, you have to have a credit score of 620 or higher. The deferred DPA takes the form of a second loan with a 30-year term and a zero percent interest rate. It accrues no interest, has no monthly payments, but is due and payable upon sale, refinance or payoff of your first mortgage. Some DPA is provided as a gift and does not have to be repaid.

Since, according to NerdWallet's report, 33% of non-homeowners say that not having enough money for a down payment is holding them back from buying a home at this time, "this misconception could be stopping them unnecessarily."

FHA is famous for requiring only a 3.5% down payment, but conventional loans are

<p><b>VA LOAN (\$0 DOWN)</b></p> <ul style="list-style-type: none"> <li>✓ \$0 down payment</li> <li>✓ 580-620 credit score</li> <li>✓ Must be a veteran or service member</li> <li>✓ Below-market mortgage rates</li> </ul>
<p><b>USDA LOAN (\$0 DOWN)</b></p> <ul style="list-style-type: none"> <li>✓ \$0 down payment</li> <li>✓ 640 credit score</li> <li>✓ Must have low or moderate income</li> <li>✓ Must live in an eligible rural area</li> </ul>
<p><b>HOME BUYER ASSISTANCE</b></p> <ul style="list-style-type: none"> <li>✓ Down payment grants and loans</li> <li>✓ 620 credit score (typical)</li> <li>✓ Available in every state</li> <li>✓ Aimed at first-time home buyers</li> </ul>
<p><b>PRIVATE ZERO-DOWN LOANS</b></p> <ul style="list-style-type: none"> <li>✓ Special purpose credit programs (SPCPs)</li> <li>✓ 50 down or down payment grant</li> <li>✓ From private banks and lenders</li> <li>✓ Limited to select buyers</li> </ul>

available with as little as 3% down payment. Veterans with a "certificate of eligibility" can get a loan with zero percent down payment for a primary residence.

USDA loans with zero percent down are also available for rural properties.

Larger down payments are always better, and can avoid the added expense of purchase mortgage insurance (PMI), but once your equity reaches a certain level, conventional mort-

gages allow you to eliminate that expense. FHA loans maintain that expense for the life of the loan, unless your down payment was 11% or higher, in which case you can eliminate that expense once you achieve a certain equity level based on an appraisal.

So, if this myth has been keeping you from pursuing home ownership, give us a call and we will help you achieve your American dream!

This column/ad appears in all the following weekly newspapers:

Arvada Press, Brighton Standard Blade, Canyon Courier, Castle Pines News-Press, Castle Rock News-Press, Centennial Citizen, Clear Creek Courant, Commerce City Sentinel Express, Denver Herald-Dispatch, Douglas County News Press, Elbert County News, Englewood Herald, Fort Lupton Press, Golden Transcript, Highlands Ranch Herald, Hustler 285, Jeffco Transcript, Littleton Independent, Lone Tree Voice, MetroWest Advertiser, Northglenn-Thornton Sentinel, Parker Chronicle, South Platte Independent, and Westminster Window

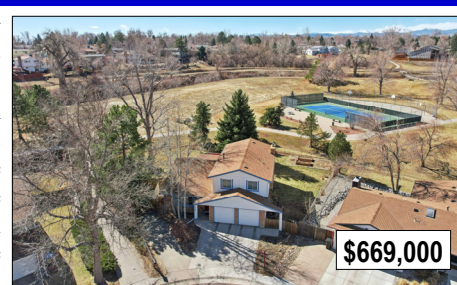
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### Just Listed: 4-BR Home Backing to Arvada Park

If you're looking for an updated, move-in ready home in a quiet neighborhood, backing to parkland, with no HOA and an RV parking space, this home at **7761 Everett Way** may be what you are looking for. Built in 1973, you'd swear this home is at least 20 years newer. The floors are hickory hardwood throughout, except for in the beautifully tiled bathrooms. Mature evergreens in the backyard provide afternoon shade for the large open deck, but there's also an 8'x16' covered and screened deck, too. Do you like to garden? There are two raised beds plus a larger ground level garden that is sprinklered. Do you have lots of stuff? There are two sheds! Do you like a wood-burning fireplace? This home comes with lots of cut wood and kindling for the fireplace in the family room. Visit [www.GRElistings.com](http://www.GRElistings.com) to view a video walk-through narrated by the listing agent, then come to the **open house this Saturday, Mar. 8th, 11am to 1pm**, or call your agent (or me) to arrange a showing. You may find that this home checks all your boxes!



### Just Listed: 1-Bed/1-Bath Condo in Sable Cove

This nicely updated and well-maintained 574-square-foot condo is in the Sable Cove subdivision southeast of Aurora's Town Center. The address is **992 S. Dearborn Way, #7**, east of I-225 and north of Mississippi Avenue. The seller bought it for a family member, updated everything in this ground-level unit. It has luxury vinyl plank flooring throughout, new windows, pantry with five slide-out drawers, laundry hookups, and a wood-burning fireplace. There is lots of open lot parking for you and your guests. The HOA dues are \$255 per month and include water, sewer, trash maintenance, a community center, swimming pool and fitness center. There is a locked storage closet on the front porch, big enough for all your winter gear. Find more information, high-quality pictures and my narrated video walk-through at [www.GRElistings.com](http://www.GRElistings.com), then call me at **303-525-1851** to arrange a private showing.



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